

CANACCORD FINANCIAL INC.

**Notice of Meeting
and
Management Information Circular**

For the special meeting of shareholders to be held at:

Tudor Rooms 7 and 8, 2nd Floor,
The Fairmont Royal York,
100 Front Street West,
Toronto, Ontario

on Thursday, April 22, 2010,
at 11:00 a.m. (Toronto time)

THIS BOOKLET CONTAINS IMPORTANT INFORMATION FOR SHAREHOLDERS

SPECIAL MEETING OF SHAREHOLDERS

THIS BOOKLET CONTAINS:

- The notice of a special meeting of shareholders
- The Management Information Circular
- Instructions on how to ensure your shares are voted at the Meeting

Shareholders are invited to attend a special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares of Canaccord Financial Inc. (the “**Company**”) on April 22, 2010. At the Meeting, Shareholders will be asked to consider and vote upon the issuance of up to 26.5 million common shares of the Company, to be issued in partial satisfaction of the purchase price payable in connection with the Company’s indirect acquisition of Genuity Capital Markets and certain of its affiliates.

Your presence (or your proxy if you are unable to attend in person) is important to us and we would like your support for all matters to be decided at the Meeting.

If you have any questions about the Management Information Circular, or how to vote, please contact Canaccord Investor Relations at +1 (416) 869-7293.

REGISTERED SHAREHOLDERS

PLEASE NOTE: If your shares are registered in your name (and you are therefore a registered Shareholder), then a proxy form is enclosed with this booklet. This proxy form may be used to vote your common shares if you are unable to attend the Meeting in person. Instructions on how to vote using this proxy form are found on page 12 of the Management Information Circular.

NON-REGISTERED BENEFICIAL SHAREHOLDERS

PLEASE NOTE: If you are not a registered Shareholder and your common shares are held on your behalf, or for your account, by a broker, securities dealer, bank, trust company or similar entity (an “**Intermediary**”), then a proxy form is not usually enclosed with this booklet. Instead, a voting instruction form (also known as a VIF) is usually enclosed. You may not be able to vote unless you carefully follow the instructions provided by the Intermediary with this booklet. Please also refer to pages 12 and 13 of the Management Information Circular.

We hope that you will find the format of these proxy materials easy to read and, most importantly, easy to understand. We would welcome your comments and any suggestions for improvements.

March 24, 2010

Dear Shareholders:

You are invited to attend the special meeting of the holders of common shares of Canaccord Financial Inc., which will be held at Tudor Rooms 7 and 8, 2nd Floor, The Fairmont Royal York, 100 Front Street West, Toronto, Ontario on Thursday, April 22, 2010 at 11:00 a.m. (Toronto time).

As you are aware, Canaccord entered into an agreement on March 3, 2010 for the acquisition of Genuity Capital Markets and certain of its affiliates, a leading independent advisory and restructuring firm in Canada. The agreement provides that Canaccord will acquire 100% of Genuity for consideration consisting of 26.5 million common shares of the company and cash of \$30 million. In addition, the vendors will receive up to \$28 million as a working capital adjustment subsequent to closing.

The acquisition will create a gold standard full-service independent investment bank, capitalizing on the shared strengths and complementary differences of each business to serve the entire client lifecycle. It combines Canaccord's equity underwriting strength with Genuity's advisory and restructuring leadership to leverage our proven global distribution and consolidate our leading independent, idea-driven research on a strong global platform.

Both Canaccord and Genuity have experienced significant past success and combining forces positions us for the next phase of our growth. Our clients will benefit from world-class advisory and transaction capabilities in our focus sectors, proven global distribution in equity securities, highly-regarded, actionable research and an independent, client-focused, entrepreneurial culture. Through this acquisition, we are joined by a strong team of professionals who are, like you, invested in our future success.

At the special meeting, shareholders will be asked to consider and vote upon the issuance of up to 26.5 million common shares of Canaccord, to be issued as partial payment of the purchase price payable in connection with the acquisition.

Keefe, Bruyette & Woods, Inc. provided Canaccord's board of directors with a fairness opinion which indicates that the purchase price payable by the company pursuant to the acquisition is fair, from a financial point of view, to the company. The board, based upon their investigations, including their consideration of the fairness opinion, unanimously concluded that the acquisition is in the best interests of the company, and recommends that shareholders vote in favour of the share issuance.

Shareholders must approve the resolution authorizing the share issuance by a majority of the votes cast at the meeting, in person or by proxy. The acquisition is subject to certain other conditions including receipt of certain regulatory approvals. The board and senior officers of the company who collectively own, directly or indirectly, or exercise control or direction over approximately 18.9% of the outstanding common shares of the company have indicated that they intend to vote in favour of the share issuance.

The accompanying information circular provides a detailed description of the acquisition as well as information regarding Canaccord and Genuity. Please give this material your careful consideration. If you require assistance, consult your financial or other professional advisors, or contact our investor relations group at 416-869-7293.

On behalf of Canaccord's board, management and employees, I would like to thank you for your consideration of these important transactions and for your continued support of our firm. We look forward to seeing you at the meeting.

Yours very truly,

"Paul Reynolds"

President and Chief Executive Officer
Canaccord Financial Inc.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the board of directors of Canaccord Financial Inc. (the “**Company**”) has called a special meeting (the “**Meeting**”) of the shareholders of the Company for 11:00 a.m. (Toronto time) on Thursday, April 22, 2010 at Tudor Rooms 7 and 8, 2nd Floor, The Fairmont Royal York, 100 Front Street West, Toronto, Ontario.

As a shareholder, you are entitled to attend the Meeting and to cast one vote for each common share that you own. If you are a registered shareholder and are unable to attend the Meeting, you will still be able to vote by completing the proxy form included with the accompanying management information circular (the “**Circular**”). The Circular explains how to complete the proxy form and how the voting process works. **In order to vote at the Meeting, registered shareholders must submit the proxy form to the Company’s transfer agent, Computershare Investor Services Inc. (“Computershare”) at its Toronto offices no later than 5:00 p.m. (Toronto time) on Tuesday, April 20, 2010.**

If you are a non-registered beneficial shareholder, a proxy form will not usually be included with the Circular; instead, a voting instruction form (also known as a VIF) is usually enclosed. You must follow the instructions provided by your intermediary in order to vote your shares.

The following business will be conducted at the Meeting:

- (a) **TO CONSIDER** and, if deemed advisable, to pass, with or without alteration or modification, a resolution (the “**Share Issuance Resolution**”), the full text of which is set forth in Appendix “A” to the Circular, approving the issuance of up to 26.5 million common shares of the Company, to be issued in partial satisfaction of the purchase price payable in connection with the Company’s indirect acquisition of Genuity Capital Markets and certain of its affiliates, as more particularly described in the Circular; and
- (b) **TO TRANSACT** such other business as may properly come before the Meeting or any postponement or adjournment thereof.

Dated on March 24, 2010.

By order of the board of directors

“Martin L. MacLachlan”

Corporate Secretary

MANAGEMENT INFORMATION CIRCULAR

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INFORMATION FOR SHAREHOLDERS ABOUT THE SPECIAL MEETING OF SHAREHOLDERS

All information in this Management Information Circular is current as of March 15, 2010, unless otherwise indicated.

All amounts in this Management Information Circular are expressed in Canadian dollars unless otherwise indicated. Unless otherwise indicated or the context otherwise requires, the “Company” refers to Canaccord Financial Inc. and the “Canaccord Group” refers to the Company and its direct and indirect subsidiaries.

Additional information relating to the Company is on SEDAR at www.sedar.com.

Financial information of the Company is provided in the Company’s comparative financial statements and management’s discussion and analysis (MD&A) for its most recently completed financial year and its most recently completed interim period. Shareholders may contact the Company to request copies of the Company’s financial statements and MD&A by sending an email with that request to investor_relations@canaccord.com.

This Management Information Circular (referred to as the “**Circular**”) is being sent by the management of the Company to all shareholders of Canaccord Financial Inc., together with a notice of a special meeting of the shareholders (the “**Meeting**”) and documents required to vote at the Meeting. The Circular’s purpose is:

- to explain how you, as a shareholder of the Company, can vote at the Meeting, either in person or by transferring your vote to someone else to vote on your behalf;
- to request that you authorize the Company’s Chairman (or his alternate) to vote on your behalf in accordance with your instructions set out on the proxy form;
- to inform you about the business to be conducted at the Meeting; and
- to give you important background information to assist you in deciding how to vote.

No Person has been authorized to give any information or to make any representation in connection with the matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, fax, e-mail or oral communication by the directors, officers and employees of the Company and its subsidiaries, at no additional compensation. All costs associated with the solicitation of proxies by the Company and its subsidiaries will be borne by the Company and its subsidiaries.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or in which the Person making such offer or solicitation is not qualified to do so or to any Person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Circular.

All information relating to Genuity Capital Markets or its affiliates contained in this Circular has been provided to the Company by Genuity Capital Markets. The Company relied upon this information without having made independent inquiries as to the accuracy or completeness thereof; however, it has no reason to believe such information is misleading, untrue or incomplete. The Company does not assume any responsibility for the accuracy or completeness of such information or the failure by Genuity Capital Markets to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the Company.

Shareholders should not construe the contents of this Circular as tax, financial or legal advice and should consult with their own tax, financial, legal or other professional advisors as to the relevant tax, financial, legal or other matters in connection herewith.

All summaries of, and references to, the terms of the proposed indirect acquisition of Genuity Capital Markets and its affiliates in this Circular are qualified in their entirety by reference to the complete text of the

Acquisition Agreement. The Acquisition Agreement is available under the Company's profile on SEDAR at www.sedar.com. **You are urged to read carefully the full text of the Acquisition Agreement.**

All capitalized terms used in this Circular but not otherwise defined herein shall have the meanings set forth under "Glossary of Terms".

FORWARD-LOOKING STATEMENTS

This Circular, including the documents incorporated by reference herein, contains "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and include, but are not limited to, statements concerning the anticipated benefits of the Acquisition and the future financial or operating performance of the Company and its subsidiaries, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors, which may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties described under "Risk Factors" or discussed in other materials filed by the Company with applicable securities regulatory authorities from time to time.

These forward-looking statements speak only as of the date of this Circular. Except as required by applicable securities laws, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

SUMMARY

The following is a summary of certain information contained elsewhere in this Circular. It is not, and is not intended to be, complete. This is a summary only and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Circular and incorporated by reference herein. Shareholders are urged to review carefully this Circular, including the Appendices, and the documents incorporated by reference in their entirety. Certain capitalized terms used in this Circular have the meanings set forth in the "Glossary of Terms".

The Meeting

The Meeting will be held at Tudor Rooms 7 and 8, 2nd Floor, The Fairmont Royal York, 100 Front Street West, Toronto, Ontario, on April 22, 2010 at 11:00 a.m. (Toronto time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be to consider and vote on the Share Issuance Resolution.

As of the date of this Circular, the Directors are not aware of any changes to this item, and do not expect any other items to be brought forward at the Meeting. If there are changes or new items, your proxyholder can vote your Common Shares on these items as he or she sees fit. See "Solicitation of Proxies".

The Acquisition and Share Issuance

General

The Company, GCM, certain of the Partners and certain of the Family Trusts have entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Company has agreed to purchase all of the issued and outstanding shares of Amalco 1 and Amalco 2, which will, on Closing hold (directly or indirectly) all of the equity interests of GCM, 2054386, Genuity USA and Genuity GP for the Purchase Price, including the Consideration Shares. Pursuant to the GLP Asset Purchase Agreement, CFL will acquire from GLP substantially all of its assets in consideration for cash and the assumption of substantially all of GLP's operating liabilities.

It is anticipated that prior to Closing, each Partner (other than the Genuity Committee Partners), and his or her Family Trust or his or her U.S. Partnerco, as the case may be, will enter into a Joinder Agreement. Partnership interests that are held by the Holdco of a Partner who does not execute a Joinder Agreement will be repurchased by GCM prior to Closing.

The Acquisition is subject to certain conditions precedent, including certain regulatory approvals.

See "The Acquisition".

Benefits of the Acquisition

After the Acquisition, Canaccord will remain a leading full-service independent investment bank in Canada, with global capital markets operations in Canada, the United States, the United Kingdom and internationally. These operations, known collectively as Canaccord Genuity, will offer comprehensive services to corporate clients throughout the entire client lifecycle, from initial public offerings and secondary equity underwriting, along with high-quality research and trading expertise, to mergers and acquisitions and restructuring services. Institutional clients will be provided with actionable investment ideas based on expertise in key sectors of the global economy, as well as leading research, sales and trading services. Canaccord Genuity's strong platform will meet corporate and institutional client demand for unbiased, independent services. On a *pro forma* basis, the combined business would have generated revenues of approximately \$540.9 million and \$509.5 million for the year ended March 31, 2009 and the nine-months ended December 31, 2009, respectively.

The Company expects the Acquisition will result in the following benefits:

- (a) A more comprehensive platform for client service, combining the Canaccord Group's strength in equity underwriting and expertise with small to mid-capitalized entities with Genuity's leadership in mergers and acquisitions and restructuring services and experience with large capitalized entities;

- (b) Enhanced revenue opportunities from cross-selling combined services to existing and prospective clients, as there is minimal overlap among the client relationships of the Company and Genuity;
- (c) The ability to further leverage a proven global distribution network, including the Canaccord Group's retail operations in Canada and the Canaccord Group's and Genuity's institutional client relationships globally;
- (d) The formation of the leading independent research group in Canada, comprised of top-ranked research analysts covering a balanced mix of market capitalizations in key sectors of the global economy, including Metals and Mining, Energy, Technology, Life Sciences, Real Estate, Consumer, Infrastructure, Industrial, Media and Telecom, Agriculture and Fertilizer, and Financials;
- (e) Increased management depth from the addition of experienced senior Genuity Partners to Canaccord Genuity's leadership team;
- (f) Genuity's U.S. financial sponsor relationships will augment the Company's U.S. financial sponsor coverage;
- (g) Genuity's debt advisory business will beneficially complement the Company's existing fixed income operations; and
- (h) Opportunities to recognize synergies from the integration of the two businesses.

It is anticipated that these benefits will increase Shareholder value over the mid to long-term.

Fairness Opinion

The Board of Directors retained KBW to address the fairness of the Purchase Price, from a financial point of view, to the Company. In connection with this mandate, KBW provided the Board of Directors with a fairness opinion. The Fairness Opinion states that, on the basis of the particular assumptions and considerations summarized therein, in the opinion of KBW, as of March 3, 2010 the Purchase Price is fair, from a financial point of view, to the Company. The Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety. See "The Acquisition — Fairness Opinion" and "Appendix "B" — Fairness Opinion".

The Company Post-Acquisition

General

Following the Acquisition, the Company's primary Canadian investment banking activities will be operated by Canaccord Genuity Corp., which will combine the business activities of CFL and Genuity. After completion of the Acquisition, the Company will maintain its core strength of independence, and will continue as independent, entrepreneurial and free from institutional constraints and conflicts.

While the Company is currently in a favourable position to provide its clients with a wide array of international services, the Acquisition will create a more comprehensive platform for client service by addressing the entire client lifecycle. Corporate clients will benefit from the Company's expertise, from initial public offerings and secondary equity underwriting, along with high-quality research and trading expertise, to mergers and acquisitions and restructuring services. Institutional clients will be provided with actionable investment ideas based on expertise in key sectors of the global economy, as well as leading research, sales and trading services. Canaccord Genuity's strong platform will meet corporate and institutional client demand for unbiased, independent services.

Within the Company's capital markets segment, Genuity's leadership in mergers and acquisitions and restructuring services will complement the Company's service offering in equity underwriting. The Acquisition will also diversify the Company's client base, combining relationships with idea-oriented accounts and long-only accounts and small to mid-capitalized entities with large capitalized entities. The Company will combine its trading operations with those of Genuity, providing an enhanced ability to deliver superior execution on seven exchanges globally.

Pro Forma Financial Information

The following table sets out certain selected *pro forma* consolidated financial information for the Company after giving effect to the Acquisition. Such information should be read in conjunction with the unaudited *pro forma* consolidated financial statements of the Company for the year ended March 31, 2009 and the nine months ended December 31, 2009 included in Appendix “F”. Adjustments have been made to prepare the unaudited *pro forma* consolidated financial statements of the Company, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* consolidated financial statements.

The unaudited *pro forma* consolidated financial statements of the Company are presented for illustrative purposes only and are not necessarily indicative of (i) the operating or financial results that would have occurred had the Acquisition actually occurred at the times contemplated by the notes to the unaudited *pro forma* consolidated financial statements or (ii) results expected in future periods.

	<i>Pro Forma for the Nine Months Ended December 31, 2009</i>	<i>Pro Forma for the Year Ended March 31, 2009</i>
	(in thousands)	(in thousands)
Revenue	\$ 509,518	\$540,943
Expenses	438,309	583,906
Income taxes	22,069	2,167
Net income (loss)	49,140	(45,130)
Total assets	2,963,793	
Shareholders’ equity	687,167	

Risk Factors

For a description of certain risk factors in respect of the business of the Canaccord Group and the industry in which it operates, which will continue to apply to the Canaccord Group after the Acquisition, see “Risk Factors” contained in this Circular (including in Appendix “D” to this Circular) and the Company’s AIF.

Recommendation of the Board of Directors

The Board of Directors has reviewed the terms of the Acquisition (including the Purchase Price) and the Fairness Opinion. The Board of Directors has determined that the Acquisition is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of the Share Issuance Resolution.

In making its determination and recommendation, the Board of Directors has relied upon legal, financial, tax and other advice and information received during the course of its deliberations. The following is a summary of the factors, among others, that the Board of Directors considered in making its determination and recommendation on the Acquisition:

- (a) the benefits of the Acquisition described above under “The Acquisition — Benefits of the Acquisition”;
- (b) the Fairness Opinion, which is reproduced in full as Appendix “B” to this Circular, to the effect that the Purchase Price is fair, from a financial point of view, to the Company; and
- (c) the terms and conditions of the Acquisition Agreement.

See “The Acquisition — Recommendation of the Board of Directors”.

Approvals Required

Approval of Shareholders

Shareholders will be asked to consider and vote upon the Share Issuance Resolution. To be effective, the Share Issuance Resolution must be approved by more than 50% of the votes cast by the Shareholders, voting

together, either in person or by proxy, at the Meeting. See “The Acquisition — Approvals — Shareholder Approval”.

The Board and senior officers of the Canaccord Group who collectively own, directly or indirectly, or exercise control or direction over, approximately 18.9% of the outstanding Common Shares have indicated that they intend to vote in favour of the Share Issuance Resolution.

TSX Approval

The TSX has conditionally approved the issuance and listing of the 26,500,000 Common Shares (representing approximately 48% of the currently issued and outstanding Common Shares) to be issued to the Vendors in partial satisfaction of the Purchase Price, subject to the Company fulfilling the requirements of the TSX. See “The Acquisition — Approvals — TSX Approval”.

TSX rules require Shareholder approval before the issuance of the Consideration Shares if the Consideration Shares to be issued in payment of the Purchase Price for the Acquisition exceed 25% of the number of issued and outstanding Common Shares, on a non-diluted basis. The Common Shares to be issued as part of the Purchase Price will exceed the thresholds under the TSX rules and, accordingly, the issuance of the Common Shares in connection with the Acquisition requires Shareholder approval.

Competition Act Approval

The obligations of the parties to complete the Acquisition are conditional on either (a) receipt of an ARC issued by the Commissioner of Competition pursuant to the Competition Act or (b) receipt of a no-action letter acceptable to the Company, acting reasonably, and the expiry or termination of the applicable waiting period or a waiver from the obligation to notify pursuant to paragraph 113(c) of the Competition Act. The Company received an ARC in respect of the Acquisition on March 19, 2010, satisfying the condition relating to the Competition Act. See “The Acquisition — Approvals — Competition Act”.

IIROC and Securities Regulatory Authorities Approvals

The obligations of the parties to complete the Acquisition are conditional upon the receipt of approval to the Acquisition and related transactions from IIROC and the non-objection of the securities regulatory authority in each of the provinces and territories of Canada. The Company submitted a notice and request for approval to IIROC and each such securities regulatory authority on March 22, 2010. See “The Acquisition — Approvals — IIROC”.

Exchange Approvals

Each of CFL and GCM is a participating organization of the TSX and a member of TSX-V. CFL is also an approved participant of the Bourse. Under the rules of such exchanges, CFL and GCM are required to obtain approvals respecting, among other things, the change of control of GCM pursuant to the Acquisition and CFL’s proposed change of name. CFL and GCM submitted a joint application to each such exchange on March 22, 2010. The obligations of the parties to complete the Acquisition are conditional upon the receipt of the approvals of the TSX, Bourse and TSX-V.

FINRA Approval

Each of Canaccord Financial (USA) Inc., Canaccord Adams Inc. and Genuity USA is registered as a broker dealer under the rules of FINRA. Pursuant to these rules, the approval of FINRA is required in respect of the indirect change of control of Genuity USA. Genuity USA submitted an application to FINRA seeking its approval on March 22, 2010. The obligations of the parties to complete the Acquisition are conditional upon the receipt of the approval of FINRA.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular, including under “Summary”. These defined terms are not always used in the documents incorporated by reference herein and may not conform exactly to the defined terms used in the appendices to this Circular or any agreements referred to herein. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

“**2054386**” means 2054386 Ontario Inc., a corporation governed by the laws of Ontario;

“**Acquisition**” means the proposed indirect acquisition by the Company of GCM and certain of its affiliates, including the acquisition of the assets of GLP;

“**Acquisition Agreement**” means the securities purchase agreement dated March 3, 2010 among the Company, GCM, the Genuity Committee Partners and their associated Family Trusts and every other person who becomes a party thereto, as amended, supplemented or restated from time to time;

“**Adjustment Amount**” has the meaning ascribed to it under the heading “Acquisition — Ancillary Agreements — Escrow Agreement”;

“**affiliate**” has the meaning ascribed thereto in National Instrument 45-106 — *Prospectus and Registration Exemptions*, as it exists on the date hereof;

“**Aggregate Adjustment Amount**” has the meaning ascribed to it under the heading “Acquisition — Ancillary Agreements — Escrow Agreement”;

“**Alternative Transaction**” means any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly leading to the sale of the Company or the sale or disposition of all or substantially all of its assets;

“**Amalco 1**” means the company formed under the *Business Corporations Act* (Ontario) by the amalgamation of all of the Holdcos, other than the ULC Holdcos;

“**Amalco 2**” means the unlimited liability corporation incorporated under the *Business Corporations Act* (Alberta) by the amalgamation of all of the ULC Holdcos;

“**Annual Information Form**” or “**AIF**” means the annual information form of the Company dated May 26, 2009;

“**ARC**” has the meaning ascribed to it under the heading “The Acquisition — Approvals — Competition Act”;

“**Board**”, “**Board of Directors**” or “**Directors**” means the board of directors of the Company;

“**Bourse**” means the Bourse de Montréal Inc.;

“**Broadridge**” means Broadridge Financial Solutions;

“**Business Day**” means a day other than a Saturday, Sunday or a day on which the commercial banks located in the City of Vancouver, British Columbia or the City of Toronto, Ontario are not open for business during normal banking hours;

“**Canaccord Genuity**” means, collectively, the operating entities conducting the Company’s global capital markets business in Canada, the United States, the United Kingdom and internationally following the Acquisition and the transactions described in Appendix “C” — Transaction Steps;

“**Canaccord Group**” means, collectively, the Company and its subsidiaries;

“**CFL**” means Canaccord Financial Ltd., a corporation governed by the laws of British Columbia;

“**Chairman**” means the chairman of the Board of Directors;

“**Circular**” means this management information circular distributed by the Company in connection with the Meeting;

“**Closing**” means the closing of the Acquisition, expected to occur on or about April 23, 2010;

“**Commissioner of Competition**” means the Commissioner of Competition appointed under the Competition Act or a person authorized by the Commissioner of Competition;

“**Committee**” has the meaning ascribed to it under the heading “Securities Authorized for Issuance Under Equity Compensation Plans — Long-Term Incentive Plan (LTIP)”;

“**Common Shares**” means common shares in the capital of the Company;

“**Company**” means Canaccord Financial Inc., a corporation governed by the laws of British Columbia;

“**Competing Business**” means, collectively, the Current Business and the Excluded Activities;

“**Competition Act**” means the *Competition Act* (Canada);

“**Competition Tribunal**” means the Competition Tribunal established under the *Competition Tribunal Act* (Canada);

“**Computershare**” means Computershare Investor Services Inc.;

“**Consideration Shares**” means the 26,500,000 Common Shares to be issued to the Vendors in partial satisfaction of the Purchase Price;

“**CRA**” means the Canada Revenue Agency;

“**Current Business**” means the business of investment banking, being the business of acting as an investment dealer, debt advisor or underwriter, equity advisor or underwriter, providing securities research, institutional debt and equity trading, providing mergers and acquisitions advice, providing restructuring or insolvency advice, proprietary trading, commission trading, project finance, rendering fairness opinions and valuations, valuation analysis, placement facilitation and acting as placement agent;

“**Depository**” means Computershare, or such other Person as may be designated by the Company;

“**Employment Agreements**” means the employment agreements between each of the Genuity Committee Partners and CFL to be entered into on Closing;

“**Escrow Agent**” means the Person appointed as escrow agent under the Escrow Agreement, anticipated to be Computershare Trust Company of Canada and its successors and assigns;

“**Escrow Agreement**” means the escrow agreement among each Vendor, the Company and the Escrow Agent to be entered into on Closing;

“**Escrowed Shares**” has the meaning ascribed to it under “The Acquisition — Ancillary Agreements — Escrow Agreement”;

“**Excluded Activities**” means buy side institutional trading, funds management, merchant banking, private equity, acting as a chief restructuring officer or acting as a lawyer; provided that, for greater certainty, the Excluded Activities may include debt or equity activities performed by a merchant bank on a proprietary or principal (not agency or not on behalf of client) basis and it or any affiliate are not registered (on the basis of current registration requirements under securities laws) entities;

“**Executive Officers**” has the meaning ascribed to it under the heading “Securities Authorized for Issuance Under Equity Compensation Plans — Long-Term Incentive Plan (LTIP)”;

“**Fairness Opinion**” means the fairness opinion of KBW dated March 3, 2010 with respect to the Purchase Price payable pursuant to the Acquisition, a copy of which is attached as Appendix “B” to this Circular;

“**Family Trust**” means, with respect to a Partner, a trust that owns shares of the Partner’s Holdco;

“**FINRA**” means the U.S. Financial Industry Regulatory Authority, Inc.;

“**Form of Proxy**” means the form of proxy distributed by the Company in connection with the Meeting;

“**GCM**” means Genuity Capital Markets, a general partnership formed under the laws of Ontario;

“**GAAP**” means Canadian generally-accepted accounting principles applied on a consistent basis in accordance with the principles stated in the Handbook of the Canadian Institute of Chartered Accountants;

“**Genuity**” means, collectively, GCM, GFG, Genuity GP, GLP, 2054386 and Genuity USA;

“**Genuity Closing Working Capital**” has the meaning ascribed thereto in the Acquisition Agreement;

“**Genuity Committee Partners**” means Joao Esteireiro, Philip Evershed, David Kassie, Dvaipayan Ghose, Earl Rotman, Barry Goldberg, Daniel Daviau, Edward Hirst, David Morrison and Mario Mendonca;

“**Genuity Entities**” means, collectively, GCM, GFG, Genuity GP, 2054386 and Genuity USA;

“**Genuity GP**” means Genuity GP Inc., a corporation governed by the laws of Ontario;

“**Genuity USA**” means Genuity Capital Markets USA Corp., a corporation governed by the laws of Ontario;

“**GFG**” means Genuity Financial Group, a partnership formed under the laws of Ontario;

“**GLP**” means Genuity Limited Partnership, a limited partnership formed under the laws of Ontario;

“**GLP Asset Purchase Agreement**” means the asset purchase agreement to be entered into on Closing between CFL and GLP pursuant to which CFL will acquire substantially all of the assets of GLP;

“**Holdco**” means, with respect to any Partner, a corporation controlled by that Partner that directly or indirectly owns partnership interests in GCM;

“**IIROC**” means the Investment Industry Regulatory Organization of Canada;

“**Joinder Agreement**” means an agreement executed by a Partner and his or her Family Trust or by a Partner and his or her U.S. Partnerco, pursuant to which such signatories become party to the Acquisition Agreement;

“**KBW**” means Keefe, Bruyette & Woods, Inc.;

“**Management**” means management of the Canaccord Group;

“**Meeting**” means the special meeting of Shareholders to be held on April 22, 2010, and any adjournment(s) or postponement(s) thereof, to consider and to vote on the Share Issuance Resolution and the other matters set out in the Notice of Meeting;

“**Non-Competition Agreements**” means the non-competition agreements between each of the Genuity Committee Partners and certain other prescribed Partners, and the Company to be entered into on Closing;

“**Notice of Meeting**” means the notice of the Meeting that accompanies this Circular;

“**Partners**” means the individuals who, indirectly through Holdcos, own partnership interests in GCM;

“**Person**” means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and governments, agencies and political subdivisions thereof;

“**Proxy**” means the proxy form that accompanies this Circular;

“**Purchase Price**” means the purchase price payable by the Company under the Acquisition Agreement in order to acquire the shares of Amalco 1 and Amalco 2 (and indirectly, the equity interests of GCM and certain of its affiliates), consisting of: (i) the Consideration Shares, (ii) cash consideration on Closing of \$30 million (less the cash purchase price payable to GLP pursuant to the GLP Asset Purchase Agreement); (iii) cash consideration of \$20 million to be paid 15 Business Days following Closing (subject to reduction by an amount, if any, by which the cash held by Genuity at 12:01 a.m. on the date of Closing is less than \$20 million); and (iv) cash consideration of \$8 million to be paid five Business Days following the final determination of the Genuity Closing Working Capital (less the amount, if any, by which such working capital is less than \$26 million), subject to adjustment in certain circumstances as set forth in the Acquisition Agreement;

“**Record Date**” means March 15, 2010;

“**Shareholders**” means holders of Common Shares;

“**Share Issuance Resolution**” means the ordinary resolution in respect of the issuance of up to 26.5 million Common Shares as partial consideration for the Acquisition, the full text of which is set forth in Appendix “A” to this Circular;

“**Share Option Plan**” has the meaning ascribed to it under the heading “Securities Authorized for Issuance under Equity Compensation Plans — Share Option Plan”;

“**Special Committee**” has the meaning ascribed to it under the heading “The Acquisition — Background to the Acquisition”;

“**subsidiary**” has the meaning ascribed thereto in National Instrument 45-106 — *Prospectus and Registration Exemptions*, as it exists on the date hereof;

“**Supplementary Information Request**” has the meaning ascribed to it under the heading “The Acquisition — Approvals — Competition Act”;

“**Tax Act**” means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, in each case as amended;

“**Taxes**” means all taxes, levies, duties, fees, assessments, reassessments, imposts, premiums and other charges of any kind whatsoever imposed by any authority, whether direct or indirect (regardless of whether the Person is made liable via contract or otherwise), together with all interest, penalties, fines additions to tax or additional amounts imposed in respect thereof, including without limitation, (a) those levied on, or measured by, or referred to as income, gains, profits, gross receipts, corporate, transfer, sales, use, wage, payroll, employment, severance, social services, worker’s compensation, employer health, utility, occupation, premium, windfall, capital, stamp, real or personal property, land transfer, customs duties, import and export, goods and services, excise, business, all surtaxes, licence, franchising, registration fees, turnover, value-added, withholding, social security, unemployment insurance, health insurance, and Canada, Quebec and other government pension plan premiums, and retirement contributions, including those imposed by any authority, and (b) any liability for the payment of any amount of the type described in the immediately preceding clause (a) as a result of being a “transferee” (within the meaning of section 160 of the Tax Act, or any other laws) of another taxpayer or entity or a member or a related, non-arm’s length, affiliated or combined group;

“**Termination Fee**” has meaning ascribed to it under “The Acquisition — Acquisition Agreement — Termination Fee”;

“**TSX**” means the Toronto Stock Exchange;

“**TSX-V**” means the TSX Venture Exchange;

“**ULC Holdco**” means a Holdco that is owned by a U.S. Partnerco and is either an unlimited liability corporation governed by the laws of Alberta or an unlimited liability company governed by the laws of Nova Scotia;

“**U.S. Partnerco**” means, in respect of a Partner that is a non-resident of Canada for purposes of the Tax Act, the corporation controlled by such Partner that owns all of the shares of such Partner’s Holdco;

“**Vendor Representative**” has the meaning ascribed to it under “The Acquisition — Ancillary Agreements — Escrow Agreement”; and

“**Vendors**” means the Partners, Family Trusts and U.S. Partnercos that are selling the shares of Amalco 1 and Amalco 2 pursuant to the Acquisition Agreement.

DOCUMENTS INCORPORATED BY REFERENCE

Information in respect of the Company has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this Circular may be obtained, free of charge, from SEDAR at www.sedar.com or on request from the Corporate Secretary of the Company at 2200 - 609 Granville Street, Vancouver, British Columbia, V7Y 1H2 or through the Company's web site at: <http://www.canaccordfinancial.com>. The following documents are specifically incorporated by reference into, and form an integral part of, this Circular:

- the Company's annual information form dated May 26, 2009 (the "Annual Information Form" or "AIF");
- the Company's audited consolidated financial statements, together with the accompanying report of the auditors, for the year ended March 31, 2009;
- management's discussion and analysis of results of operations and financial condition of the Company for the year ended March 31, 2009;
- the Company's consolidated financial statements (unaudited) for the nine months ended December 31, 2009;
- management's discussion and analysis of the results of the operations and financial condition of the Company for the nine months ended December 31, 2009;
- the Company's management information circular dated May 20, 2009 in respect of the annual general meeting of Shareholders held on June 26, 2009; and
- the Company's material change report dated March 12, 2010 in respect of the Acquisition.

Any document of the type referred to in the preceding paragraph and any material change report (excluding confidential material change reports) or press release filed by the Company with a securities commission or similar authority in Canada after the date of this Circular and prior to the Meeting that specifically states that it is intended to be incorporated by reference into this Circular will be deemed to be incorporated by reference into this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Circular or contained in this Circular is deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained in this Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Circular.

SOLICITATION OF PROXIES

Your vote is being solicited by the management of the Company.

The Company expects that the solicitation will be primarily by mail, but also may include telephone, email, fax or oral solicitations. If the Company does not receive your proxy by a certain time you may receive a telephone call asking you to vote. The Company does not reimburse directors, officers or regular employees or agents of the Company involved in the solicitation of proxies. The cost of soliciting proxies is borne by the Company.

If you have any questions about this Circular or how to vote, please contact Canaccord Investor Relations at +1 (416) 869-7293.

Voting and Appointment of Proxy

Your rights to attend and vote at the Meeting depend on whether you are a registered Shareholder (that is, the shares of the Company are actually registered in your name) or a non-registered beneficial shareholder (for example, a Person who holds shares of the Company through a broker or a bank).

Registered shareholders

If you are a registered Shareholder, you may attend the Meeting in person. You may also appoint someone (known as a proxyholder) to represent you at the Meeting and vote on your behalf. If you complete and submit the proxy form without alteration, then you will have appointed the Company's Chairman (or his alternate) to attend the Meeting and vote on your behalf.

You have the right to appoint a person or company to represent you at the Meeting other than the persons designated in the proxy form. If you wish to appoint some other person or company to represent you at the Meeting, you may do so by striking out the names of the persons designated in the proxy form and inserting the name of the person or company to be appointed in the blank space provided and signing the proxy form.

If you wish to vote at the Meeting by proxy, you must either (a) complete the proxy and return it to the Company's transfer agent, Computershare Investor Services Inc., or (b) follow the instructions in the proxy to vote by telephone or on the Internet. In order to be valid, the telephone or Internet voting must be completed or the proxy must be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Tuesday, April 20, 2010, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting.

Even if you give a proxy, as a registered shareholder, you may still attend and vote in person at the Meeting.

Revoking your proxy

A proxy is revocable. If you have given a proxy, you (or your attorney authorized in writing) may revoke the proxy by giving notice of the revocation in writing at the Company's registered office, located at 1000-840 Howe Street, Vancouver, British Columbia V6Z 2M1, at any time up to and including the last business day before the Meeting or to the chair of the Meeting before any vote in respect of which the proxy is given. The notice of the revocation must be signed as follows: (a) if you are an individual, then the notice must be signed by you or your legal personal representative or trustee in bankruptcy, and (b) if you are a corporation, then the notice must be signed by the corporation or by a representative appointed for the corporation in accordance with the articles of the Company.

Non-registered beneficial shareholders

If your Common Shares are not registered in your own name, then they are being held in the name of an intermediary (which is usually a trust company, a securities dealer or broker, a bank or another financial institution) or in the name of a clearing agency such as the Canadian Depository for Securities Limited. You are usually called either a non-registered or a beneficial shareholder or owner. These security holder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

There are various procedures for the voting of your Common Shares, and these procedures may vary among intermediaries and clearing agencies in ways over which the Company has no control. **If you are a beneficial shareholder, you should carefully follow the instructions of the intermediary or clearing agency, including instructions regarding when and where any voting instruction form or proxy form is to be delivered.**

Typically, you will receive one of the following:

1. **A Computershare voting instruction form.** This is a form also known as a VIF. If you receive a VIF and wish to vote at the Meeting, you must either (a) complete the VIF and return it to Computershare, or (b) follow the instructions in the VIF to vote by telephone or on the Internet. The telephone or Internet voting should be completed or the VIF should be received by Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Tuesday, April 20, 2010, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), you must follow the instructions in the VIF. Unless you follow these instructions you will not be permitted to attend the Meeting in person.
2. **A facsimile signed proxy.** This is a proxy which has been signed by the intermediary (typically by a facsimile, stamped signature) and already indicates the number of Common Shares you beneficially own but that is otherwise uncompleted. You do not need to sign this form. If you receive a facsimile signed proxy and you wish to vote at the Meeting, you must properly complete the proxy and deposit it with Computershare at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by fax at +1 (866) 249-7775 (toll free in Canada and the United States) or +1 (416) 263-9524 (outside Canada and the United States), no later than 5:00 p.m. (Toronto time) on Tuesday, April 20, 2010, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of such reconvened meeting. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided.
3. **A Broadridge proxy form.** This is a form of proxy provided by Broadridge Financial Solutions ("**Broadridge**") in accordance with arrangements often made by brokers to delegate the responsibility for obtaining voting instructions to Broadridge. If you receive a Broadridge proxy form and wish to vote at the Meeting, you must return the Broadridge proxy form to Broadridge or follow the instructions on the form for telephone voting. Broadridge will tabulate the results and then provide instructions to Computershare respecting the voting of shares to be represented at the Meeting. You must return the proxy to Broadridge or give the telephone voting instructions well in advance of the Meeting in order to have your shares voted. If you wish also to attend the Meeting in person and vote (or have another person attend and vote on your behalf), simply strike out the names of the persons indicated in the proxy form and insert your (or such other person's) name in the blank space provided.

If you have any questions about this Circular or how to vote, please contact Canaccord Investor Relations at +1 (416) 869-7293.

Revoking your proxy

A non-registered holder may revoke a proxy or voting instruction form which has been given to an intermediary by written notice to the intermediary. In order to ensure that an intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the intermediary well in advance of the Meeting.

Provisions Relating to Voting of Proxies

If you are a registered Shareholder and submit a proxy in the form of the proxy form enclosed in the mailing to registered Shareholders (the "**Proxy**"), then the shares represented by the Proxy will be voted or withheld from voting in accordance with your instructions on any ballot that may be called for and, if you specify a choice with respect to any matter to be acted upon, the shares will be voted accordingly. If you do not give any instructions or specify any choice, then your shares will be voted in favour of the resolution approving the issuance of up to 26.5 million Common Shares as partial consideration for the Acquisition.

The Proxy gives the person named in it the discretion to vote as he or she sees fit on any amendments or variations to matters identified in the notice of meeting and on any other matters which may properly come before the Meeting. At the date of this Circular, Management knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.

Significant equity restrictions

Pursuant to rules established by certain securities regulatory authorities in Canada and the United States, the ownership of shares of an investment dealer or broker dealer is subject to certain restrictions. To enable the Company and its subsidiaries to comply with these requirements, the articles of the Company contain the following provisions.

At any time if proxies are solicited from shareholders at any meeting of shareholders or before such a meeting, the Company may require a declaration with respect to the holding of shares of the Company as beneficial owner and any other matter that the directors consider relevant to determine if the holding of shares by any Person could violate the articles or applicable legislative or regulatory requirements.

The Company has the power to withdraw the voting rights of any share of any class if:

- (a) a Person beneficially owns or controls, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities;
- (b) a Person who wishes to exercise voting rights, in person or by proxy, refuses to sign and deliver, with respect to his or her beneficial ownership of shares of the Company, a declaration or other information reasonably necessary to assist the directors in making their determinations under the articles; or
- (c) if the directors have determined, on the basis of the declaration or information provided by a Person who wishes to exercise voting rights, that such Person may own or control, directly or indirectly, a “significant equity interest” in the Company and has not obtained the required approvals from all relevant securities regulatory authorities.

For these purposes, a “significant equity interest” in the context of the Company means:

- (a) in respect of the applicable rules of the Investment Industry Regulatory Organization of Canada Inc. and the TSX Venture Exchange Inc., the holding of: (i) voting securities carrying 10% or more of the votes carried by all voting securities of the Company, (ii) 10% or more of the outstanding participating securities of the Company, or (iii) an interest of 10% or more of the total equity in Canaccord Financial Ltd.;
- (b) in respect of the applicable rules of the Toronto Stock Exchange, the holding, directly or indirectly and alone or in combination with any other Person, of securities: (i) carrying 20% or more of the votes carried by all voting securities, (ii) carrying the right to receive 20% or more of any distribution of earnings, and (iii) accounting for 20% or more of the total capital or equity of the Company;
- (c) in respect of the applicable rules of the Bourse de Montréal Inc. (where a significant equity interest is referred to as a “major position”), having the power to direct or cause the direction of the management or policies of Canaccord Financial Ltd. whether through ownership of securities, by contract or otherwise, and a Person is considered to hold a major position in the capital of the Company pursuant to the rules of the Bourse if such Person, directly or indirectly: (i) has the right to vote 10% or more of the voting securities, or (ii) is entitled to receive 10% or more of the net profits of the Company;
- (d) in respect of the applicable rules of the Autorité des marchés financiers in Québec, the direct or indirect ownership or holding of more than 10% of the voting rights attached to securities issued by the Company; and
- (e) in respect of the applicable rules of the Financial Industry Regulatory Authority in the United States, a change in the equity ownership of the Company that results in one person or entity directly or indirectly owning or controlling 25% or more of the equity.

The *Financial Services and Markets Act 2000 (UK)* places an obligation on controllers and proposed controllers of Canaccord Adams Limited to obtain the approval of the Financial Services Authority before becoming a controller or increasing the level of control held (in certain circumstances). Failure to obtain approval is an offence under section 191(3) of the *Financial Services and Markets Act 2000 (UK)*. A “controller” in the context of Canaccord Adams Limited is a Person who (along with his or her associates) holds 10% or more of the shares in the Company or is able to exercise significant influence over the management of the Company through his or her shareholding in the Company.

Voting Securities and Principal Holders of Voting Securities

The Board has set March 15, 2010 as the Record Date for determining which Shareholders are entitled to vote at the Meeting. Only registered Shareholders on March 15, 2010 are entitled to vote at the Meeting or at any adjournment of the Meeting. Each registered Shareholder has one vote for each Common Share held at the close of business on March 15, 2010. On that date, the Company had 55,588,311 Common Shares outstanding.

To the knowledge of the directors and executive officers of the Company, as of March 15, 2010, the only person or company which beneficially owns, directly or indirectly, or controls or directs, Common Shares carrying 10% or more of the voting rights attached to the Common Shares is Franklin Templeton Investments Corp., by one or more of its mutual funds or other managed accounts. The “early warning” report filed by Franklin Templeton Investments Corp. indicates that, as of November 30, 2008, it held 6,176,873 Common Shares of the Company, representing 11.1% of the Common Shares of the Company outstanding on March 15, 2010.

Immediately following completion of the Acquisition, to the knowledge of the Directors and executive officers of the Company, no person or company will beneficially own, directly or indirectly, or control or direct, Common Shares carrying 10% or more of the voting rights attached to Common Shares.

SPECIAL BUSINESS OF THE MEETING

Approval of the Share Issuance Resolution

The Meeting will be constituted as a special meeting of Shareholders. At the Meeting Shareholders will be asked to consider and vote on an ordinary resolution (the “**Share Issuance Resolution**”) approving the issuance of up to 26.5 million Common Shares as partial consideration for the Acquisition. To be effective, the Share Issuance Resolution must be approved by more than 50% of the votes cast by the Shareholders, voting together, in person or by proxy at the Meeting. A copy of the Share Issuance Resolution is set out in Appendix “A” to this Circular. See “The Acquisition — Approvals”.

THE ACQUISITION

The Company, GCM, certain of the Partners and certain of the Family Trusts have entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Company has agreed to purchase all of the issued and outstanding shares of Amalco 1 and Amalco 2 (which will, on Closing, collectively hold (directly or indirectly) all of the equity interests of GCM, Genuity GP, 2054386 and Genuity USA) for the Purchase Price. In addition, pursuant to the GLP Asset Purchase Agreement, CFL will acquire from GLP substantially all of its assets.

Background to the Acquisition

The provisions of the Acquisition Agreement are the result of arm’s length negotiations conducted among representatives of the Company and Genuity and their legal and financial advisors. The following is a brief summary of the material events that preceded execution of the Acquisition Agreement.

In 2007, the Company had preliminary discussions with Genuity about a possible business combination, and the Company and Genuity subsequently entered into mutual confidentiality agreements. It was decided not to proceed with a transaction at that time because of market uncertainties.

On December 1, 2009, Paul Reynolds, Canaccord’s Chief Executive Officer, initiated a call to David Kassie, the Chief Executive Officer of Genuity, to arrange a meeting to recommence previous discussions with regard to a possible strategic transaction involving the two businesses. On December 3, 2009, each of the Company and GCM again entered into mutual confidentiality agreements and subsequently exchanged preliminary financial information. As a result of these discussions, it was agreed that the benefits to integrating the two businesses were worthy of further investigation. The Company engaged Goodmans LLP and Genuity engaged McCarthy Tétrault LLP as legal counsel in connection with the possible transaction.

During the month of January 2010, the Company’s and Genuity’s principals and legal counsel engaged in discussions with respect to the principal terms of a transaction between them and continued with their due diligence investigations. During the week of January 11, 2010, Terry Lyons, the Company’s Lead Director, was briefed on the transaction. On January 18, 2010 the Board of Directors met and established a special committee of independent directors comprising Terry Lyons (Chair), Bill Eeuwes and Mike Harris (the “**Special Committee**”) to review and evaluate the proposed transaction and to engage an independent financial advisor. At that meeting, there was a review of several candidates for financial advisor and a decision was made to engage Keefe, Bruyette & Woods (“**KBW**”). Following that meeting, the Company formally engaged KBW to provide financial advisory and investment banking services to the Company in connection with the possible transaction and to render an opinion as to the fairness of the consideration to be offered in the transaction, from a financial point of view, to the Company.

On February 3, 2010, in response to rumours relating to confidential discussions between the Company and Genuity, the Company issued a press release announcing that strategic acquisitions formed one component of its growth strategy and, as such, the Company regularly evaluated potential acquisition opportunities which, from time to time, led to discussions with potential acquisition targets, but that the Company did not publicly comment on potential acquisitions unless and until a binding legal agreement had been signed.

During the month of February 2010, the Company’s and Genuity’s principals and respective legal counsel continued discussions with respect to the terms of the transaction and continued with their due diligence investigations. On February 3, 2010, the Special Committee met with the Company’s management and financial

advisor to review and discuss the transaction. As of February 23, 2010, Genuity's key principals entered into a standstill agreement in favour of the Company, pursuant to which they agreed not to undertake certain activities with respect to the Company for a period of nine months following the date thereof. During the latter half of February and early March, drafts of the key transaction documents were exchanged and negotiated.

On February 18 and February 25, 2010, the Special Committee met with the Company's management and legal and financial advisors to review and discuss the transaction in detail. On March 2, 2010, the Board of Directors met with the Company's Management and legal and financial advisors. The Special Committee, Management and the advisors reported to the Board. Presentations were made concerning the Board's fiduciary duties in fulfilling their mandate, the financial implications of the Acquisition, the potential advantages of the Acquisition as well as the risks that the Acquisition posed to the business of the Company. The Board also received a report on the progress of the draft documentation proposed to be entered into in connection with the Acquisition. KBW made a presentation as to the analysis and methodology used in connection with assessing the fairness of the Purchase Price, from a financial point of view, to the Company. KBW confirmed to the Board of Directors that at the time of signing it would be in a position to render an opinion to the effect that the Purchase Price payable pursuant to the Acquisition was fair, from a financial point of view, to the Company. The Board discussed the principal outstanding issues as between the parties and the terms and structure of the Acquisition, reviewed the principal documentation proposed to be entered into in connection therewith (including, without limitation, the Acquisition Agreement) and provided input into the drafting thereof. The Board of Directors then delegated to the Special Committee all powers of the directors to give final approval of the transaction and to authorize the execution and delivery of the transaction documents.

On March 3, 2010, the Special Committee met with the Company's Management and legal and financial advisors and received an updated presentation on the Acquisition and an opinion from KBW that the Purchase Price payable pursuant to the Acquisition was fair, from a financial point of view, to the Company. The Special Committee considered a number of factors, including those factors specified under "Benefits of the Acquisition" below, and on the basis of the advice received from its legal and financial advisors, including the Fairness Opinion, unanimously concluded that the Acquisition was in the best interests of the Company and unanimously approved the Acquisition, the entering into of the Acquisition Agreement and related documentation, and other ancillary matters.

Benefits of the Acquisition

After the Acquisition, the Company will remain a leading full-service independent investment bank in Canada, with global capital markets operations in Canada, the United States, the United Kingdom and internationally. These operations, known collectively as Canaccord Genuity, will offer comprehensive services to corporate clients throughout the entire client lifecycle, from initial public offerings and secondary equity underwriting, along with high-quality research and trading expertise, to mergers and acquisitions and restructuring services. Institutional clients will be provided with actionable investment ideas based on expertise in key sectors of the global economy, as well as leading research, sales and trading services. Canaccord Genuity's strong platform will meet corporate and institutional client demand for unbiased, independent services. On a *pro forma* basis, the combined business would have generated revenues of approximately \$540.9 million and \$509.5 million for the year ended March 31, 2009 and the nine-months ended December 31, 2009, respectively.

The Company expects the Acquisition will result in the following benefits:

- (a) A more comprehensive platform for client service, combining the Canaccord Group's strength in equity underwriting and expertise with small to mid-capitalized entities with Genuity's leadership in mergers and acquisitions and restructuring services and experience with large capitalized entities;
- (b) Enhanced revenue opportunities from cross-selling combined services to existing and prospective clients, as there is minimal overlap among the client relationships of the Company and Genuity;
- (c) The ability to further leverage a proven global distribution network, including the Canaccord Group's retail operations in Canada and the Canaccord Group's and Genuity's institutional client relationships globally;
- (d) The formation of the leading independent research group in Canada, comprised of top-ranked research analysts covering a balanced mix of market capitalizations in key sectors of the global

economy, including Metals and Mining, Energy, Technology, Life Sciences, Real Estate, Consumer, Infrastructure, Industrial, Media and Telecom, Agriculture and Fertilizer, and Financials;

- (e) Increased management depth from the addition of experienced senior Genuity Partners to Canaccord Genuity’s leadership team;
- (f) Genuity’s U.S. financial sponsor relationships will augment the Company’s U.S. financial sponsor coverage;
- (g) Genuity’s debt advisory business will beneficially complement the Company’s existing fixed income operations; and
- (h) Opportunities to recognize synergies from the integration of the two businesses.

It is anticipated that these benefits will increase Shareholder value over the mid to long-term.

Fairness Opinion

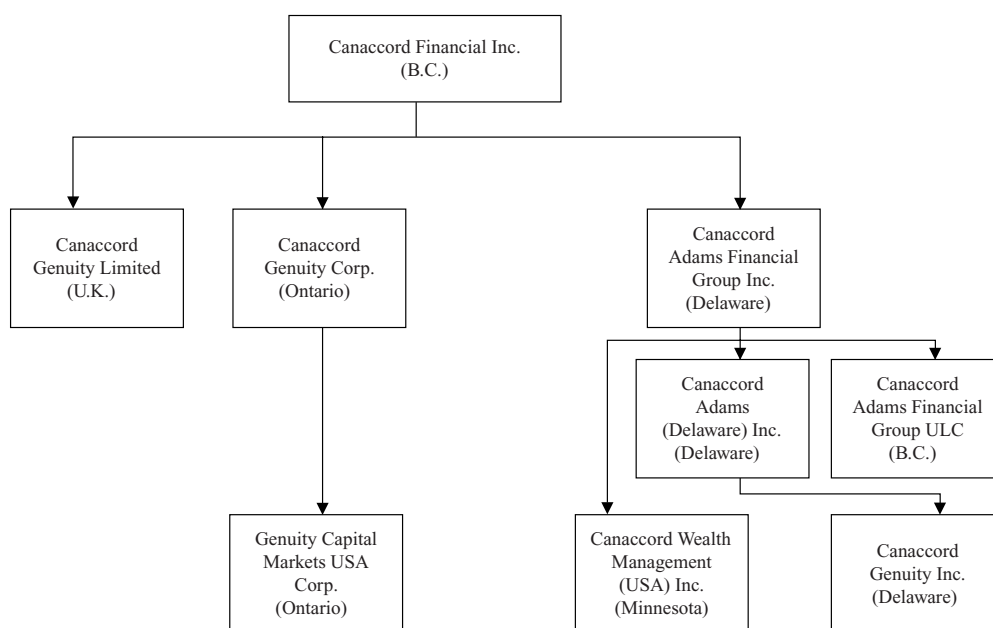
The Board of Directors retained KBW to address the fairness of the Purchase Price, from a financial point of view, to the Company. In connection with this mandate, KBW provided the Board of Directors with the Fairness Opinion which states that, on the basis of the particular assumptions and considerations summarized therein, in the opinion of KBW, as of March 3, 2010 the Purchase Price is fair, from a financial point of view, to the Company. The Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety. See “Appendix “B” — Fairness Opinion”.

The Fairness Opinion was prepared solely for the benefit and use of the Board of Directors in their consideration of the Acquisition, and addresses only the fairness of the Purchase Price, from a financial point of view, to the Company, and does not constitute a recommendation to any Shareholder to approve the Share Issuance Resolution. The summary of the Fairness Opinion set forth in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion.

KBW is a full-service investment bank that specializes exclusively in the financial services sector. The Fairness Opinion represents the opinion of KBW and the form and content thereof have been approved for release by KBW’s internal fairness opinions committee.

Post-Acquisition Structure

The following diagram illustrates the anticipated organizational structure of the Company and its material subsidiaries following the completion of the Acquisition and the transaction steps described in Appendix “C”.



Upon the completion of the Acquisition, it is expected that approximately 82,088,311 Common Shares will be issued and outstanding.

Recommendation of the Board of Directors

The Board of Directors has reviewed the terms of the Acquisition and the Fairness Opinion. **The Board of Directors has determined that the Acquisition is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of the Share Issuance Resolution.**

In making its determination and recommendation, the Board of Directors has relied upon legal, financial, tax and other advice and information received during the course of their deliberations. The following is a summary of the factors, among others, that the Board of Directors considered in making its determination and recommendation:

- (a) the benefits of the Acquisition described above under “— Benefits of the Acquisition”;
- (b) the Fairness Opinion, which is reproduced in full as Appendix “B” to this Circular, to the effect that the Purchase Price is fair, from a financial point of view, to the Company; and
- (c) the terms and conditions of the Acquisition Agreement.

The foregoing discussion of the information and factors considered and given weight by the Board of Directors is not intended to be exhaustive but is believed to include all material factors considered. In addition, in reaching the determination to approve the Acquisition Agreement and recommend approval of the Share Issuance Resolution, the Board of Directors did not find it practical to, nor did it, assign any relative or specific weight to any specific foregoing factor, and individual Directors may have given differing weights to different factors.

Each of the Directors has advised the Company that he will vote the Common Shares held or controlled by him, directly or indirectly, in favour of the Share Issuance Resolution.

Acquisition Agreement

The following is a summary of the material provisions of the Acquisition Agreement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Acquisition Agreement, a copy of which has been filed on SEDAR and is available under the Company’s profile on SEDAR at www.sedar.com.

Purchase Price

Pursuant to the terms of the Acquisition Agreement, the Company will purchase all of the issued and outstanding shares of Amalco 1 and Amalco 2 for an aggregate Purchase Price consisting of (i) 26.5 million Common Shares, (ii) cash consideration of \$30 million, payable on Closing, (iii) cash consideration of \$20 million, payable 15 Business Days following Closing, and (iv) cash consideration of \$8 million, payable 5 Business Days following the final determination of the Genuity Closing Working Capital. Notwithstanding the foregoing, (a) the amount of cash payable pursuant to (ii) in the preceding sentence will be reduced by the cash purchase price paid to GLP pursuant to the GLP Asset Purchase Agreement, (b) the amount of cash payable pursuant to (iii) in the preceding sentence will be reduced by the amount, if any, by which the aggregate amount of cash of the Genuity Entities as of 12:01 a.m. on the date of Closing is less than \$20 million and (c) the amount of cash payable pursuant to (iv) in the preceding sentence will be reduced by the amount, if any, by which the final Genuity Closing Working Capital is less than \$26 million.

Representations and Warranties

The Acquisition Agreement includes representations and warranties customary for an arm’s length acquisition agreement, including:

- (a) representations and warranties made by each Vendor with respect to itself, its Family Trust, its Holdco and/or its U.S. Partnerco as to (i) formation and authority to enter into the Acquisition Agreement,

- (ii) the title to its partnership interests in GCM and the absence of encumbrances on such partnership interests, (iii) absence of conflict with constating documents, laws, judgments or court orders, (iv) enforceability of the Acquisition Agreement, (v) capitalization, (vi) litigation, (vii) the residence of the Partner, (viii) the business and financial condition of the Holdco, and (ix) tax matters;
- (b) representations and warranties made by the Vendors and GCM with respect to the Genuity Entities as to (i) formation and authority to enter into the Acquisition Agreement (for the Genuity Entities as well as Amalco 1 and Amalco 2), (ii) absence of conflict with constating documents, laws, judgments, court orders and material contracts, (iii) enforceability of the Acquisition Agreement, (iv) required consents, (v) capitalization, (vi) ownership of securities, (vii) licenses, permits and authorizations, (viii) books and records, (ix) financial statements, (x) absence of undisclosed liabilities, (xi) tax matters, (xii) absence of certain changes or events, (xiii) title to assets, (xiv) leased real property and the absence of owned real property, (xv) litigation, (xvi) non-arm's length transactions, (xvii) material contracts, (xviii) employment matters, (xix) benefit plans, (xx) insurance, (xxi) intellectual property and information technology, (xxii) accounts receivable, (xxiii) bank accounts and powers of attorney, (xxiv) the U.S. Hart-Scott Rodino Act, and (xxv) brokers; and
- (c) representations and warranties made by the Company with respect to the Company as to (i) formation and authority to enter into the Acquisition Agreement, (ii) capitalization, (iii) due authorization and valid issuance of the Consideration Shares, (iv) absence of conflict with constating documents, laws, judgments, court orders and material contracts, (v) enforceability of the Acquisition Agreement, (vi) absence of undisclosed liabilities, (vii) shareholder and board approvals, (viii) the Fairness Opinion, (ix) consents, (x) compliance with laws, (xi) regulatory filings, (xii) financial statements, (xiii) no material adverse change, (xiv) litigation, (xv) tax matters, (xvi) benefit plans, (xvii) the *Investment Canada Act*, (xviii) brokers, and (xix) asset-backed commercial paper matters.

The representations and warranties of the Vendors and GCM will generally survive for a period of 24 months from the closing date of the Acquisition, except for (i) representations and warranties of the Vendors regarding title to their partnership interests in GCM, the absence of any encumbrances on such partnership interests and representations and warranties of the Vendors and GCM regarding capitalization of the Holdcos and Genuity Entities, which survive indefinitely, (ii) in respect of fraud or fraudulent misrepresentation, which survive for a period of 30 months from the closing date of the Acquisition (but only to the extent of any such fraud or fraudulent misrepresentation), (iii) representations and warranties as to the business and financial condition of related Holdcos, which survive for a period of five years from the closing date of the Acquisition, and (iv) representations and warranties regarding tax matters, which survive until 30 days after the expiration of all periods allowed for objecting and appealing any assessment or reassessment.

The representations and warranties of the Company will also generally survive for a period of 24 months from the completion of the Acquisition, except for (i) representations and warranties regarding the Consideration Shares, which survive indefinitely, (ii) in respect of fraud or fraudulent misrepresentation, which survive for a period of 30 months from the closing date of the Acquisition (but only to the extent of any such fraud or fraudulent misrepresentation), and (iii) representations and warranties regarding tax matters, which survive until 30 days after the expiration of all periods allowed for objecting and appealing any assessment or reassessment.

Closing Conditions

The obligation of the Company to complete the Acquisition is subject to certain closing conditions including, among others, (i) the accuracy of the representations and warranties made by the applicable Vendors and GCM, (ii) the performance by the Vendors and GCM of their respective obligations, covenants and agreements provided for in the Acquisition Agreement, (iii) the absence of any laws or pending or threatened actions or proceedings by any authority to restrain or prohibit the Acquisition, (iv) the receipt of TSX, Competition Act, IIROC and other required regulatory approvals; (v) shareholder approval of the Share Issuance Resolution; (vi) the applicable Joinder Agreements, as well as Employment Agreements, Non-Competition Agreements and the Escrow Agreement having been entered into by the applicable Vendors, (vii) the estimated cash on hand and Genuity Closing Working Capital being at least \$20 million and \$26 million,

respectively, (viii) the absence of any material adverse change with respect to the Genuity Entities, (ix) the confirmation by Partners (other than the Genuity Committee Partners) owning in the aggregate (with the applicable Family Trust or U.S. Partnerco) at least 25% of the outstanding partnership interests in GCM and GFG of their intention to accept employment with the Canaccord Group on Closing and at least 80% of employees of the Genuity Entities identified by the Company prior to Closing having confirmed their intention to accept employment with the Canaccord Group on Closing, (x) GFG having been wound up, (xi) the Holdcos having been amalgamated to form Amalco 1 and Amalco 2, (xii) the GLP Asset Purchase Agreement having been entered into by GLP, (xiii) GCM and GFG having sought CRA approval to change their respective fiscal year ends such that their current fiscal years will end on the day immediately prior to the date of Closing, (xiv) each Vendor that is a non-resident of Canada for purposes of the Tax Act having executed and delivered a Non-Resident Declaration of Residency (as defined in the Acquisition Agreement), and (xi) the Company having received the audited financial statements for (A) GCM and Genuity USA for the year ended January 31, 2010, (B) GFG for the year ended January 1, 2010, and (C) the audited financial statements of GLP for the year ended December 31, 2009, which statements shall not be materially different from the unaudited financial statements for such periods previously delivered to the Company.

The obligation of the Vendors to complete the Acquisition is subject to certain closing conditions including, among others, (i) the accuracy of the representations and warranties made by the Company, (ii) the performance by the Company of its obligations, covenants and agreements provided for in the Acquisition Agreement, (iii) the absence of any laws or pending or threatened actions or proceedings by an authority to restrain or prohibit the Acquisition, (iv) the receipt of TSX, Competition Act, IIROC and other required regulatory approvals, (v) shareholder approval of the Share Issuance Resolution, (vi) the Non-Competition Agreements and Escrow Agreement having been entered into by the Company and the Employment Agreements having not been terminated, or notice of intention to terminate been given by the Company, (vii) the absence of any material adverse change with respect to the Company, (ix) the GLP Asset Purchase Agreement having been entered into and performed by the Company, and (x) the Company having appointed two nominees of the Partners to its Board of Directors.

Covenants

The parties to the Acquisition Agreement have made customary covenants, including covenants of GCM and the Vendors that, until the completion of the Acquisition, (i) they will, except as otherwise provided, conduct the business of the Genuity Entities in the ordinary course and use all commercially reasonable efforts to maintain the goodwill of the Genuity Entities and preserve the business and its relationships with, among others, all clients, landlords, suppliers and employees, (ii) they will use commercially reasonable efforts to continue in force all insurance maintained for the benefit of the Genuity Entities, (iii) they will provide the Company with copies of weekly regulatory reporting, (iv) they will not, without the Company's consent, take certain proscribed material actions with respect to the Genuity Entities or, in the case of the Vendors only, the Holdcos, and (v) in the case of the Vendors and Holdcos, they will undertake certain pre-Closing and Closing reorganizations and other actions.

In addition, the Company has agreed, among other things, that, until the completion of the Acquisition, (i) except as otherwise provided, it will conduct its business in the ordinary course and use all commercially reasonable efforts to maintain the goodwill of the Company, and preserve the business and its relationships with all clients, landlords, suppliers and employees, among others, (ii) it will call and hold the Meeting, prepare materials to be distributed in connection therewith and use commercially reasonable efforts to obtain Shareholder approval of the Share Issuance Resolution, (iii) it will not, without GCM's consent, take certain proscribed material actions, (iv) it will provide Genuity representatives with reasonable access to its business.

The parties have also agreed to use commercially reasonable efforts to obtain all regulatory approvals, including the TSX approval, IIROC approval and FINRA approval.

The parties have also agreed that until the earliest of (i) termination of the Acquisition Agreement and (ii) the completion of the Acquisition, they shall not (A) solicit, initiate, encourage or facilitate, including by way of furnishing information or entering into any form of agreement, arrangement or understanding, any inquiries or the making of any proposals regarding any merger, amalgamation, arrangement, share exchange, take-over

bid, tender offer, recapitalization, consolidation or other business combination, directly or indirectly, involving the Genuity Entities or the Canaccord Group, or (B) participate in any discussions or negotiations regarding any such a transaction, except, in the event the Company is approached by a third party, unsolicited, to consider such an Alternative Transaction, to the extent that the Board believes, after consulting with financial and legal advisors, that such a transaction may be in the best interests of Shareholders, in which case it may provide information to and enter into a confidentiality agreement (but not any other agreement) with such third party, provided that the Company informs GCM of any such approach and ensuing discussions and negotiations.

Indemnities

Subject to certain limitations described below, the Vendors have agreed, following completion of the Acquisition, to indemnify the Company with respect to claims or losses relating to: (i) any non-fulfillment of any covenant or agreement contained (A) in the Acquisition Agreement by the Vendors or GCM and (B) the GLP Purchase Agreement with respect to GLP, (ii) any inaccuracy in or breach of any representation or warranty of the Vendors or GCM contained in the Acquisition Agreement with respect to GCM or of GLP contained in the GLP Asset Purchase Agreement, (iii) certain contingent liabilities, (iv) the termination of any Partner in connection with the Acquisition or the expulsion of any Partner from GCM or GFG prior to Closing, (v) any Taxes payable by a Genuity Entity with respect to taxable periods ending on or before the Closing, and (vi) any amounts payable by a Genuity Entity pursuant to certain pre-existing funding obligations. The indemnification provided for (a) in (i) and (ii) in the immediately preceding sentence (other than a claim in respect of capitalization) is subject to a maximum aggregate recovery amount of \$143 million, (b) in (ii) in the immediately preceding sentence in respect of capitalization and in respect of fraudulent misrepresentation is subject to a maximum aggregate recovery amount of \$286 million, and (c) in (iii) in the immediately preceding sentence is subject to a maximum aggregate recovery amount of \$286 million other than in respect of certain circumstances where there are no limits. In addition, the indemnification obligations of the Vendors to indemnify the Company with respect to the foregoing (other than with respect to certain contingent liabilities) may be satisfied solely by delivery to the Company of the applicable number of Escrowed Shares and the Company will have no recourse to any other assets of the Vendors (subject to limited exceptions).

In addition, subject to certain limitations described below, the Vendors have agreed, following completion of the Acquisition, to indemnify the Company with respect to claims or losses relating to: (i) any inaccuracy in or breach of representation or warranty contained in the Acquisition Agreement with respect to a Vendor, (ii) any Taxes payable by the Vendor's Holdco, or Amalco 1 or Amalco 2 by virtue of the amalgamation of the Holdcos amalgamating in respect of the period prior to Closing, and (iii) any Taxes payable by the Company in respect of each Vendor that is a non-resident of Canada for the purposes of the Tax Act in connection with the Acquisition that should have been withheld or remitted by the Company. The indemnification provided for in (i) in the immediately preceding sentence is subject to a maximum recovery amount of \$286 million.

Subject to certain limitations described below, the Company has agreed to indemnify the Vendors with respect to claims or losses relating to: (i) any non-fulfillment of any covenant or agreement by the Company contained in the Acquisition Agreement; (ii) any inaccuracy in or breach of any representation or warranty of the Company contained in the Acquisition Agreement, and (iii) any claim by an employee of a Genuity Entity (excluding Partners) for severance or other amounts as a result of such employee's employment with the Genuity Entity having been terminated as part of the Acquisition. The indemnification provided for in the immediately preceding sentence is subject to a maximum aggregate recovery amount of \$150 million.

The right to claim for losses under the indemnification provisions is also subject to a threshold of \$750,000, subject to certain exceptions.

Termination and Abandonment

The Acquisition Agreement may be terminated at any time prior to the completion of the Acquisition: (i) by mutual agreement of the Company and GCM; (ii) by either the Company or GCM if (A) the Closing has not occurred by June 30, 2010 (provided that no party will be entitled to terminate the Acquisition Agreement if such party's failure to fulfil any obligation under the Acquisition Agreement was the cause of the failure of the Closing occurring by June 30, 2010), (B) if there has been a breach of any covenant or representation or warranty that would cause the failure of any condition precedent and such breach is not cured within a specified period of 30 days, (C) if an applicable law is passed that prohibits the Acquisition, or (D) if the Company does not obtain Shareholder approval of the Share Issuance Resolution; (iii) subject to certain limitations, by GCM if the Board does not publicly recommend that Shareholders vote in favour of the Share Issuance Resolution (or withdraws or amends such recommendation); or (iv) by the Company to enter into a definitive agreement with respect to a bona fide unsolicited Alternative Transaction, provided that it has paid GCM the Termination Fee (and provided that this right of the Company will cease on Shareholder approval of the Share Issuance Resolution).

Termination Fee

Under the terms of the Acquisition Agreement, the Company has agreed to pay GCM a fee of \$10 million (the "**Termination Fee**") if (i) the Acquisition Agreement is terminated by GCM because the Board shall have failed to publicly recommend Shareholder approval of the Share Issuance Resolution (or amends or withdraws such recommendation), in which case the Termination Fee will be due five days after termination, (ii) the Acquisition Agreement is terminated by the Company in order to enter into a definitive agreement with respect to a bona fide unsolicited Alternative Transaction, in which case the Termination Fee is payable prior to termination, or (iii) after the date of the Acquisition Agreement, a bona fide Alternative Transaction has been made or proposed to the Company, or an intention to do so been publicly announced, and (A) Shareholder approval of the issuance of the Consideration Shares is not obtained before June 30, 2010 and (B) within 365 days following termination of the Acquisition Agreement, either (1) any of the Canaccord Group has entered into an agreement with respect to such Alternative Transaction and such Alternative Transaction is ultimately consummated, or (2) such Alternative Transaction is consummated, in which case the Termination Fee is payable on the consummation date of that Alternative Transaction.

Ancillary Agreements

Joinder Agreements

It is anticipated that prior to the Closing, each Partner (other than the Genuity Committee Partners) and his or her Family Trust or his or her U.S. Partnerco, as the case may be, will enter into a Joinder Agreement. Under the terms of the Joinder Agreement, each Partner and Family Trust or U.S. Partnerco will agree to be subject to the same agreements, representations, warranties, covenants, indemnification and other rights and obligations as the other Vendors as if they were a signatory to the Acquisition Agreement on March 3, 2010. Partnership interests that are held by the Holdco of a Partner who does not execute a Joinder Agreement will be repurchased by GCM prior to Closing.

The foregoing is a summary of the material provisions of the Joinder Agreements. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Joinder Agreements, the form of which has been filed and is available under the Company's profile on SEDAR at www.sedar.com.

Escrow Agreement

Under the terms of the Acquisition Agreement, each Vendor will be required to enter into an escrow agreement with the Company and the Escrow Agent on Closing. Pursuant to the Escrow Agreement, the Company will deposit the Consideration Shares (and certain other securities of the Company prescribed therein) ("**Escrowed Shares**") with the Escrow Agent for the purposes of satisfying indemnification claims and certain other claims for damages under the Acquisition Agreement and related documents. Each Vendor will be entitled to voting rights with respect to its Escrowed Shares, subject to certain limitations.

The Escrowed Shares will be released from escrow to the Company if it makes a claim for damages in connection with the Acquisition Agreement and the transactions contemplated thereunder to the Escrow Agent

and the representative of the Vendors (the “**Vendor Representative**”) or the applicable Vendor(s) and either (i) the Company and the Escrow Agent do not receive a notice of objection from the Vendor Representative or applicable Vendor(s) within 15 Business Days of such claim notice, or (ii) the Company and the Escrow Agent receive a notice objecting to the claim but either (A) both the Company and the Vendor Representative or the applicable Vendor(s) subject to the claim deliver joint instructions respecting the release of Escrowed Shares, or (B) a final decision has been rendered to enforce an award with respect to the amount of such claim by an arbitrator in accordance with the terms of the Acquisition Agreement.

In addition, not later than the day immediately prior to the anniversary date of the Escrow Agreement, and in each of the four years following that date, the Executive Committee of the Company (excluding any members who are Vendors) will make a determination of the amount (the “**Adjustment Amount**”) by which the value of the business acquired under the Acquisition Agreement or any portion thereof has been damaged, if at all, since the Closing (except to the extent such damage is reflected in a previous determination of an Adjustment Amount). The Adjustment Amount determined by the Executive Committee will be final and binding and may be determined having regard for any relevant factors deemed appropriate by the members of the Executive Committee, in their sole discretion. Notwithstanding the Adjustment Amounts determined by the Executive Committee, the ability of the Company to recover from the Vendors in respect of the aggregate Adjustment Amounts that have been determined as of a particular date (the “**Aggregate Adjustment Amount**”) is limited to 100% of the value of the Escrowed Shares held by those Partners (or their related Family Trusts or U.S. Partnercos) who have since the Closing resigned from or otherwise voluntarily left employment with the Canaccord Group without “good reason” (as defined in the Escrow Agreement) or been terminated for “just cause” (as defined in the Escrow Agreement). If, and each time, the Executive Committee makes a determination of an Adjustment Amount, then the Escrowed Shares held by any such applicable Partners (and their related Family Trusts or U.S. Partnercos) in an aggregate amount equal to the Aggregate Adjustment Amount will be released from escrow and surrendered to Company for cancellation (unless the Executive Committee otherwise directs the Escrow Agent) (i) following 15 Business Days of notice thereof if the applicable Vendor(s) or the Vendor Representative does not object to such release within such notice period, or, (ii) if the Company and the Escrow Agent receive a notice objecting to the release of the Escrowed Shares but (A) both the Company and the applicable Vendors or Vendor Representative deliver joint instructions respecting the release of the Escrowed Shares, or (B) a final decision has been rendered by a court with respect to any objection.

The Escrowed Shares may also be released from escrow to permit a Vendor to tender Escrowed Shares to an offeror offering to acquire (when aggregated with Common Shares held by the offeror and Persons acting jointly or in concert with the offeror) at least 50% of the aggregate outstanding Common Shares, and to permit such offeror to take up and pay for such shares (provided the offeror (and Persons acting jointly or in concert with the offeror) ultimately hold at least 50% of the outstanding Common Shares). For the purposes of such provision, an offer to acquire includes a direct or indirect offer to purchase Common Shares, whether pursuant to a take-over bid, plan or arrangement, amalgamation, asset sale, corporate reorganization or other business combination.

Subject to the foregoing, the Escrow Agreement provides that 5,300,000 Escrowed Shares will be proportionately released to the Vendors on each anniversary of the Escrow Agreement, provided that if there are any outstanding claim notices the Escrow Agent will not release such portion of the Escrowed Shares to be released that would result in the remaining Escrowed Shares have a value of less than 150% of the aggregate amount of such claim notices.

Employment Agreements

The Acquisition Agreement requires that each Genuity Committee Partner enter into an Employment Agreement with Amalco 1 on the date of Closing (which CFL will subsequently assume).

The Employment Agreements provide for a base salary for each Genuity Committee Partner plus benefits commensurate with those available to other similarly situated executives of CFL. In addition, each Genuity Committee Partner will be eligible for an annual bonus incentive award, the value of such award being determined by the Capital Markets Executive Committee of CFL on the basis of, among other things, achievement of annual objectives established by the Capital Markets Executive Committee. Each Genuity Committee Partner will also participate in such long term incentive plans of the Company (including stock

options or other equity entitlements) prescribed by his Employment Agreement. Each Employment Agreement also contains certain non-competition and non-solicitation covenants that expire between 12 and 24 months following termination of the applicable Genuity Committee Partner's employment (subject to the right of CFL, in certain circumstances, to reduce such period in lieu of paying a portion of certain severance amounts, in which case such covenants will expire at the end of the applicable severance period), as well as termination provisions.

Non-Competition and Standstill Agreements

The Acquisition Agreement requires that (i) each Genuity Committee Partner and (ii) all other Partners that hold (together with their Holdco, Family Trust or U.S. Partnerco) a partnership interest in GCM in excess of 1.5% of all outstanding partnership interests, enter into a Non-Competition Agreement with the Company on the date of Closing.

Under the terms of the Non-Competition Agreement, each Genuity Committee Partner and each other applicable Partner agrees that he, for a period of between two and five years from the date of Closing, will not (subject to certain minor exceptions), directly or indirectly, engage in, or in any manner be connected with or have an interest in a Competing Business anywhere in Canada, the United Kingdom or any U.S. state in which the Canaccord Group has an office.

In addition, for the periods described above, each Genuity Committee Partner and each other applicable Partner is subject to certain non-solicitation covenants pursuant to which he is prohibited from soliciting for employment and hiring employees of the Canaccord Group or Genuity, from soliciting for orders or (except in certain circumstances) accepting any business or patronage from clients, customers, suppliers and licensees (or any Person that is represented by a client or a Person who is or was a director, officer, employee or agent of a client) of the Canaccord Group or Genuity and from inducing any clients, customers, suppliers and licensees of the Canaccord Group from ceasing to do business with the Canaccord Group.

The Non-Competition Agreement to be entered into by each Genuity Committee Partner (only) also contains standstill covenants pursuant to which the Genuity Committee Partner may not, during the periods described above, among other things, and subject to certain exceptions, (a) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, by means of purchase, merger, business combination or in any other manner, beneficial ownership, control or direction (including without limitation economic interests by way of derivatives) of any Common Shares or other securities of the Canaccord Group, or of all or any material assets of the Canaccord Group (other than securities acquired pursuant to the Securities Purchase Agreement or as compensation pursuant to the employment of the Genuity Committee Partner), (b) make, or in any way participate, directly or indirectly, in any solicitation of proxies to vote, or seek to advise or influence any Person with respect to the voting of, any Common Shares or other securities of the Canaccord Group, or the acquisition of all or any material assets of the Canaccord Group, (c) form, join or in any way participate in a group or act jointly or in concert with any other Person with respect to any Common Shares or other securities of the Canaccord Group or otherwise act, alone or in concert with others, to seek to control or change the management, Board of Directors or governing instruments of the Canaccord Group, (d) call, request the calling of, or otherwise seek or assist in the calling of a special meeting of holders of Common Shares or other securities of the Canaccord Group or in the making of any proposals at any meeting of the holders of Common Shares, (e) vote any Common Shares against any measures recommended for approval by a majority of the independent members of the Board of Directors, (f) effect, seek, offer or propose any restructuring, liquidation, dissolution or other extraordinary transaction with respect to the Company, (g) make any public disclosure of any intention in connection with the foregoing, or make any public disclosure, or take any action, that could require the Company to make any public disclosure, with respect to any of the foregoing, (h) publicly disclose any intention, plan or arrangement involving the Company inconsistent with any of the foregoing, or (i) advise, assist or encourage or enter into any agreements or arrangements with any other Persons in connection with any of the foregoing.

In certain circumstances the Company may elect to relieve a Genuity Committee Partner of the non-competition and non-solicitation restrictions in his Non-Competition Agreement in lieu of paying a portion of certain severance amounts.

The foregoing is a summary of the material provisions of the Non-Competition Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of

the Non-Competition Agreement for the Genuity Committee Partners, the form of which has been filed and is available under the Company's profile on SEDAR at www.sedar.com.

GLP Asset Purchase Agreement

Under the terms of the GLP Asset Purchase Agreement to be entered into by GLP and CFL on Closing, CFL will acquire substantially all of the assets of GLP for an amount equal to the aggregate tax cost of the assets, which the parties have determined to be equal to the fair market value of the assets plus applicable Taxes. The purchase price for the acquisition of the assets will be satisfied by cash and the assumption of substantially all of GLP's operating liabilities. Any cash payment in respect of the purchase price under the GLP Asset Purchase Agreement will reduce the amount of cash payable pursuant to the Purchase Price under the Acquisition Agreement. The GLP Asset Purchase Agreement will contain usual representations and warranties, including representations and warranties of GLP as to its title to, and the condition of, the assets.

Approvals

Shareholder Approval

The full text of the resolution to be passed by the Shareholders to approve the issuance of the Consideration Shares is set out in Appendix "A" to this Circular. Shareholders will be asked to consider and if thought advisable, approve the Share Issuance Resolution. In order to be effective, the Share Issuance Resolution must be passed by more than 50% of the votes cast by Shareholders, voting together, in person or by proxy at the Meeting.

The Board and senior officers of the Canaccord Group who collectively own, directly or indirectly, or exercise control or direction over, approximately 18.9% of the outstanding Common Shares have indicated that they intend to vote in favour of the Share Issuance Resolution.

TSX Approval

Completion of the Acquisition is subject to TSX approval and listing of the Consideration Shares (representing approximately 48% of the issued and outstanding Common Shares) to be issued to the Vendors upon completion of the Acquisition as part of the Purchase Price. The TSX has approved the listing of such Consideration Shares subject to the satisfaction of certain customary conditions, including receipt of Shareholder approval of the Share Issuance Resolution.

TSX rules require Shareholder approval before the issuance of shares if the shares to be issued in payment of the Purchase Price for the Acquisition exceed 25% of the number of issued and outstanding Common Shares, on a non-diluted basis. The Consideration Shares to be issued as part of the Purchase Price will exceed the thresholds under the TSX rules and, accordingly, the issuance of the Consideration Shares in connection with the Acquisition will require Shareholder approval.

Competition Act Approval

Pursuant to Part IX of the Competition Act, proposed transactions that exceed certain financial thresholds may require pre-merger notification. If the transaction is notifiable, certain prescribed information must be provided to the Commissioner of Competition and the transaction may not be completed until the expiry, waiver or termination of the applicable waiting period. Where a notification is made, the waiting period is 30 days after the day on which the parties to the transaction submit the prescribed information, unless, before the expiry of this period, the Commissioner of Competition notifies the parties that she requires additional information that is relevant to the Commissioner of Competition's assessment of the transaction (a "**Supplementary Information Request**"). If the Commissioner of Competition provides the parties with a Supplementary Information Request, the parties cannot complete their transaction until 30 days after compliance with such Supplementary Information Request.

Where a transaction does not raise substantive issues under the Competition Act, the Commissioner of Competition may, upon request, issue an advance ruling certificate ("**ARC**"), which exempts the transaction from pre-merger notification. Alternatively, the Commissioner of Competition may issue a "no-action" letter indicating that, in effect, she is of the view that at that time sufficient grounds do not exist on which to apply to the Competition Tribunal under section 92 of the Competition Act, and therefore does not, at that time, intend to make such as an application in respect of the proposed transaction. In addition, pursuant to paragraph 113(c)

of the Competition Act, the Commissioner of Competition may waive an obligation to notify, supply the prescribed information and wait the applicable period, if substantially similar information was previously supplied in relation to a request for an ARC.

Under the Competition Act, the Commissioner of Competition may decide to challenge a transaction or seek to prevent its closing if she is of the view that the transaction is likely to prevent or lessen competition substantially. The Commissioner of Competition may make an application to the Competition Tribunal to challenge a transaction under the merger provisions of the Competition Act prior to closing, and, unless an ARC has been issued, for up to one year after the transaction has been substantially completed. If the Competition Tribunal finds that the transaction is likely to prevent or lessen competition substantially, it may order that the transaction not proceed or, in the event that the transaction has been completed, order its dissolution or the disposition of some or all of the assets or shares involved. With the consent of the Person against whom the order is directed and the Commissioner of Competition, the Competition Tribunal may also order a Person to take any other action.

The transactions contemplated by the Acquisition Agreement are subject to pre-merger notification under the Competition Act. The Company received an ARC in respect of the Acquisition on March 19, 2010, satisfying the condition relating to the Competition Act.

IIROC and Securities Regulatory Authorities Approvals

Each of CFL and GCM is a dealer member of IIROC. Under the rules of IIROC, each of the Company, CFL and GCM is required to provide certain notices to, and to obtain certain consents, approvals and non-objections from, IIROC respecting various transactions contemplated by the Acquisition, including: consents, approvals or non-objections respecting the amalgamations that will occur to establish each of Amalco 1 and Amalco 2; the acquisition of Amalco 1 and Amalco 2 by the Company and CFL; GCM's resignation of its IIROC membership; the dissolution of GCM and the distribution of its assets to CFL; and CFL's proposed change of name.

In addition, CFL is registered as an investment dealer under the securities legislation of all provinces and territories of Canada and GCM is registered as an investment dealer under the securities legislation of all provinces of Canada and the Yukon. As such, each of CFL and GCM is required to provide the Canadian securities regulatory authorities with 30 days prior written notice of the Acquisition. The notice must provide the securities regulatory authorities with all relevant facts respecting the Acquisition to permit them to determine if the Acquisition would be (i) likely to give rise to a conflict of interest, or hinder GCM or CFL in complying with securities legislation, (ii) inconsistent with an adequate level of investor protection, or (iii) otherwise prejudicial to the public interest. Following receipt of such notice, the securities regulatory authorities may object to the Acquisition at any time during the 30 day notice period. If a securities regulatory authority objects as described above, the Acquisition cannot proceed until the securities regulatory authorities approve the Acquisition.

The Company, CFL and GCM submitted a joint application to IIROC and each of the applicable securities regulatory authorities on March 22, 2010. The obligations of the parties to the Acquisition to complete the Acquisition are conditional upon the receipt of the consents, approvals or non-objections, of IIROC and such securities regulatory authorities to the Acquisition and related transactions.

Exchange Approvals

Each of CFL and GCM is a participating organization of the TSX and a member of TSX-V. CFL is also an approved participant of the Bourse. Under the rules of such exchanges, CFL and GCM are required to obtain approvals respecting, among other things, the change of control of GCM pursuant to the Acquisition and CFL's proposed change of name. CFL and GCM submitted a joint application to each such exchange on March 22, 2010. The obligations of the parties to complete the Acquisition are conditional upon the receipt of the approvals of the TSX, Bourse and TSX-V.

FINRA Approval

Each of Canaccord Financial (USA) Inc., Canaccord Adams Inc. and Genuity USA is registered as a broker dealer under the rules of FINRA. Pursuant to these rules, the approval of FINRA is required in respect of the indirect change of control of Genuity USA. Genuity USA submitted an application to FINRA seeking its approval on March 22, 2010. The obligations of the parties to complete the Acquisition are conditional upon the receipt of the approval of FINRA.

DESCRIPTION OF THE COMPANY

The Company is a corporation governed by the laws of the Province of British Columbia.

The Company's head office is located at 2200-609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at 1000-840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Business of the Canaccord Group

Canaccord is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom and the United States. The Company has operations in each of the two principal segments of the securities industry: capital markets and wealth management. Together, these operations offer a wide range of complementary investment products, brokerage services and investment banking services to the Company's individual, institutional and corporate clients.

Canaccord's capital markets segment's business activities include research, institutional equity sales and trading, investment banking, mergers and acquisitions and advisory services, venture capital, international and principal trading and fixed income trading.

Canaccord's wealth management division includes investment advice, brokerage services, managed accounts, fee-based accounts, wealth management services, and insurance and estate planning for individual investors in Canada.

As an investment banking firm, Canaccord derives its revenue primarily from sales commissions, underwriting and advisory fees, and principal trading activity.

For further information regarding the Company and the business activities of the Canaccord Group, see "Description of the Business" in the AIF, which is incorporated into this Circular by reference.

Market for Securities

The Common Shares are listed on the TSX under the symbol "CF". The Common Shares are also listed on AIM, a market operated by the London Stock Exchange, under the symbol "CF".

Trading Price and Volume

The following table presents the high and low closing prices and the monthly trading volume for the Company's Common Shares on the TSX.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Monthly Trading Volume</u>
March 2009	\$ 5.53	\$ 3.86	3,727,707
April 2009	\$ 7.37	\$ 5.30	2,067,023
May 2009	\$ 8.41	\$ 6.83	3,101,365
June 2009	\$ 8.41	\$ 6.63	2,825,519
July 2009	\$ 8.95	\$ 6.70	3,399,664
August 2009	\$ 9.97	\$ 7.95	2,728,131
September 2009	\$10.71	\$ 8.50	1,851,994
October 2009	\$11.63	\$10.18	1,659,321
November 2009	\$11.77	\$10.66	2,003,455
December 2009	\$11.87	\$ 9.50	1,741,485
January 2010	\$10.62	\$ 9.01	2,005,215
February 2010	\$ 9.99	\$ 8.27	1,876,478
March 2010 (to March 15)	\$11.34	\$ 8.49	2,226,639

Prior Sales

During the 12 months preceding the date of this Circular, the Company issued 495,467 Common Shares and granted options and restricted stock units for 2,224,993 and 2,655,418 Common Shares respectively.

Escrowed Securities

To the Company's knowledge, as at February 28, 2010, the following Common Shares are held in escrow or are subject to restrictions which prohibit transfer before a certain date. In the case of all escrows, the Company may exercise discretion to release the Common Shares from the escrow or from the date restrictions before the date otherwise set for the release.

	<u>Total number of Common Shares held in escrow or subject to date restriction</u>	<u>Percentage of diluted shares outstanding</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>2012 or later</u>
Employee Retention Escrow	4,894,181	8.6%	259,054	1,571,457	3,063,670

The "Employee retention escrow" are escrowed Common Shares restricted from trading held in connection with retention plans and hiring agreements for employees of the Company. The Common Shares are released from escrow based on the terms of each individual agreement.

Following completion of the Acquisition, the Consideration Shares will be subject to the escrow arrangements described under "The Acquisition — Ancillary Agreements — Escrow Agreement".

Legal Proceedings

In February 2010, proceedings were commenced under the *Class Proceedings Act, 1992* (Ontario) in connection with allegedly false and/or misleading statements and omissions in a short form prospectus for the distribution of 31,580,000 common shares of Allen-Vanguard Corporation at \$9.50 per share (the "Share Prospectus") and a short form prospectus for the distribution of 14,650,000 common shares of Allen-Vanguard Corporation upon the exercise of previously issued special warrants at \$6.85 per share (the "Warrant Prospectus"). Canaccord and GCM were two of the underwriters of the offering made pursuant to the Share Prospectus, and GCM was one of the underwriters of the offering made pursuant to the Warrant Prospectus. Canaccord participated for 6% of the Share Prospectus Offering. GCM participated for 54% of the Share Prospectus Offering and 33.3% of the Warrant Prospectus Offering. The plaintiff in the action claims for, among other things, damages under the *Securities Act* (Ontario) of \$50,000,000 and punitive damages of \$5 million. The class has not yet been certified and the defences to the claims, third party claims and the quantification of damages are yet to be determined. Canaccord and GCM intend to vigorously defend themselves against the claims.

In addition, the Canaccord Group in the normal course of business is involved in various legal actions and proceedings which arise from time to time in the ordinary course of their business. In view of the quantum of the amounts claimed in such legal actions and proceedings and the insurance coverage maintained by the Canaccord Group in respect of these matters, the Company considers that the aggregate contingent liability resulting from those legal actions and proceedings is not material. Please see note 17 of the Company's audited consolidated financial statements for the year ended March 31, 2009 and note 13 of the Company's unaudited interim consolidated financial statements for the period ended December 31, 2009.

DESCRIPTION OF GENUITY

Genuity is a full service independent investment dealer, offering a wide range of investment banking services to Genuity's institutional and corporate clients. Genuity's key services include advice regarding mergers & acquisitions and restructuring transactions, equity underwriting, sales and trading and equity research.

Genuity is 100% indirectly owned by the Partners, who, for the most part, are fully engaged in Genuity's business, and therefore Genuity is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

Genuity has four offices in Canada (Toronto, Montreal, Calgary and Vancouver), each of which is engaged in all of Genuity's principal businesses, except for the Calgary office, where there are no sales and trading operations. Genuity also has sales and trading operations in New York and Boston.

Genuity provides the three critical service elements required by institutional and corporate capital markets clients: investment banking (including advisory and equity underwriting), institutional sales and trading and equity research. There is also a small internal support group in finance and compliance with operations and technology outsourced to external service providers.

See Appendix “D” to this Circular for a detailed description of Genuity and Appendix “E” to this Circular for Genuity’s audited combined financial statements for the years ended January 31, 2010, 2009 and 2008.

THE COMPANY AFTER THE ACQUISITION

Corporate Structure

Following completion of the Acquisition and the transactions described in “Appendix “C” — Transaction Steps”, the businesses formerly owned and operated by GCM, Genuity GP and 2054386 will be owned and operated by CFL, the assets and operating liabilities of GLP will be owned by CFL and Genuity USA will be operated as a wholly-owned subsidiary of CFL.

See “The Acquisition — Post-Acquisition Structure”.

Corporate Name Changes

Following the closing of the transaction, the Company will undertake certain internal transactions, such that GCM will be operated for a short period of time as a subsidiary of the Company, and will ultimately be dissolved with the result that CFL will carry on GCM’s business and will become the employer of its former employees. CFL will also change its name to “Canaccord Genuity Corp.”. In addition, the operating entity in the United States, Canaccord Adams Inc., will be renamed Canaccord Genuity Inc. and the operating entity in the United Kingdom, Canaccord Adams Limited, will be renamed Canaccord Genuity Limited. The international capital markets division of the Canaccord Group will use the business name “Canaccord Genuity”. The wealth management division of Canaccord Genuity Corp. in Canada will use the business name “Canaccord Wealth Management”.

Description of the Business

Following the Acquisition, the Company’s primary Canadian investment banking activities will be operated by Canaccord Genuity Corp., which will combine the business activities of CFL and Genuity. After completion of the Acquisition, the Company will maintain its core strength of independence, and will continue as independent, entrepreneurial and free from institutional constraints and conflicts.

While the Company is currently in a favourable position to provide its clients with a wide array of international services, the Acquisition will create a more comprehensive platform for client service by addressing the entire client lifecycle. Corporate clients will benefit from the Company’s expertise, from initial public offerings and secondary equity underwriting, along with high-quality research and trading expertise, to mergers and acquisitions and restructuring services. Institutional clients will be provided with actionable investment ideas based on expertise in key sectors of the global economy, as well as leading research, sales and trading services. Canaccord Genuity’s strong platform will meet corporate and institutional client demand for unbiased, independent services.

Within the Company’s capital markets segment, Genuity’s leadership in mergers and acquisitions and restructuring services will complement the Company’s service offering in equity underwriting. The Acquisition will also diversify the Company’s client base, combining relationships with idea-oriented accounts and long-only accounts, and small-to-mid-capitalized entities with large capitalized entities. The Company will combine its trading operations with those of Genuity, providing an enhanced ability to deliver superior execution on seven exchanges globally.

In addition, the Company will benefit from and use the high-quality research of Genuity to enhance its coverage within focus sectors of Metals and Mining, Energy, Technology, Life Sciences, Real Estate, Consumer, Infrastructure, Media and Telecom, Agriculture and Fertilizer and Financials. The combination of the two research groups will also add research coverage of the following industries: Banks, Insurers, Diversified Financials, Consumer, and Industrials.

The Company will fully integrate operations on best-in-class technology platforms in all functional areas, most notably trading and research. There is strong compatibility between the tools and methods currently in use at Genuity and the Company, and it is anticipated that most Genuity operations will be migrated to the Company's systems and processes in the course of integration.

The combined businesses *pro forma* revenue for the year ended March 31, 2009 and nine months ended December 31, 2009 is approximately \$540.9 million and \$509.5 million, respectively.

Common Shares

The Company will issue 26.5 million Common Shares in connection with the Acquisition, following which it will have approximately 82,088,311 Common Shares issued and outstanding. The Common Shares issuable pursuant to the Acquisition will be issued to the Partners (directly or indirectly), none of whom will, to the knowledge of the Company, own or exercise control or direction over, directly or indirectly, more than 10% of the outstanding Common Shares.

Pro Forma Financial Information

The following table sets out certain selected *pro forma* consolidated financial information for the Company after giving effect to the Acquisition. Such information should be read in conjunction with the unaudited *pro forma* consolidated financial statements of the Company for the year ended March 31, 2009 and the nine months ended December 31, 2009, included in Appendix "F". Adjustments have been made to prepare the unaudited *pro forma* consolidated financial statements of the Company, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* consolidated financial statements.

The unaudited *pro forma* consolidated financial statements of the Company are presented for illustrative purposes only and are not necessarily indicative of (i) the operating or financial results that would have occurred had the Acquisition actually occurred at the times contemplated by the notes to the unaudited *pro forma* consolidated financial statements or (ii) results expected in future periods.

	<u>Pro Forma for the Nine Months Ended December 31, 2009</u>	<u>Pro Forma for the Year Ended March 31, 2009</u>
	(in thousands)	(in thousands)
Revenue	\$ 509,518	\$540,943
Expenses	438,309	583,906
Income taxes	22,069	2,167
Net income (loss)	49,140	(45,130)
Total assets	2,963,793	
Shareholders' equity	687,167	

Pro Forma Consolidated Capitalization

The following table sets forth the unaudited *pro forma* consolidated capitalization of the Company as at December 31, 2009, both before and after giving effect to the completion of the Acquisition.

	<u>As at December 31, 2009 before giving effect to the Acquisition</u>	<u>Pro Forma as at December 31, 2009 after giving effect to the Acquisition</u>
	(in thousands)	(in thousands)
Shareholders' equity	400,667	687,167
Common shares	188,610	480,110
Contributed surplus	49,279	49,279
Retained earnings	189,026	184,026
Accumulated other comprehensive losses	(26,248)	(26,248)

Directors

Under the terms of the Acquisition Agreement, the Company has agreed to appoint David Kassie as Group Chairman and a director of the Company and Philip Evershed as a director of the Company. As a result, the directors of the Company following Closing will be as follows:

Name and residence	Position with Company	Principal occupation	Director since	Shares owned
CHARLES N. BRALVER Medford, Massachusetts	Director	Senior Associate Dean of International Business and Finance and Executive Director of Center for Emerging Market Enterprises, The Fletcher School, Tufts University	2010	Nil
PETER M. BROWN Vancouver, British Columbia	Chairman and Founder and Director	Chairman and Founder of the Company	1997 ⁽¹⁾	1,250,000
MASSIMO C. CARELLO ⁽²⁾ London, England	Director	Corporate director	2008	40,000
WILLIAM J. EEUWES ^(2,3,4) Burlington, Ontario	Director	Vice-President of Manulife Capital	2002	Nil
PHILIP EVERSLED Toronto, Ontario	Director and Managing Director, Investment Banking of CFL	Managing Director, Investment Banking of CFL	To be appointed	1,845,990 ⁽⁹⁾
MICHAEL D. HARRIS ^(3,5) Vaughan, Ontario	Director	Senior business advisor of Cassels Brock LLP	2004	39,900
TIMOTHY J.D. HOARE London, England	Director	Chairman of the Board and Chief Executive Officer of Canaccord Adams Limited	2005	964,851
DAVID KASSIE ⁽⁶⁾ Toronto, Ontario	Director and Group Chairman, Canaccord Group	Group Chairman, Canaccord Group	To be appointed	3,271,690 ⁽⁹⁾
TERRENCE A. LYONS ^(2,3,7) Vancouver, British Columbia	Lead Director	Chairman of the Board of Northgate Minerals Corporation	2004	30,000
MARK G. MAYBANK ⁽⁸⁾ Toronto, Ontario	Director and Chief Operating Officer	Chief Operating Officer of the Company and President and Chief Operating Officer of CFL	2006	645,495
PAUL D. REYNOLDS Vancouver, British Columbia	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Company	2005	768,438
MICHAEL A. WALKER West Vancouver, British Columbia	Director	Senior Fellow of The Fraser Institute and President of The Fraser Institute Foundation	2006	19,535
JOHN B. ZAOZIRNY Calgary, Alberta	Director	Vice-Chairman of the Board of CFC	2004	128,382

Notes:

- (1) In 1968 Mr. Brown joined the company that formerly carried on the business of Canaccord Financial Ltd.; he became a director of the Company in 1997 when the Canaccord corporate group was reorganized and the Company was incorporated.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance and Compensation Committee.

- (4) Mr. Eeuwes was a director of a private company, Micro-Optics Development Corp., until April 2003. Within a year after his resignation as a director, that company was subject to a court appointed trustee and filed for court protection under insolvency statutes.
- (5) Mr. Harris was a director of Naturade, Inc., a company publicly traded in the United States, until August 2006. Within a year after his resignation as a director, that company filed for reorganization under Chapter 11 of the US Bankruptcy Code. Mr. Harris is a director of Grant Forest Products Inc. On June 25, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the *Companies' Creditors Arrangement Act* in respect of Grant Forest Products, Inc.
- (6) Mr. Kassie is Chairman and a director of SkyPower Corporation. On August 12, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the *Companies' Creditors Arrangement Act* in respect of SkyPower Corporation.
- (7) Mr. Lyons is the president and a director of FT Capital Ltd. which is presently subject to a cease trade order for failure to file financial statements. At the request of Brookfield Asset Management (formerly Brascan Corporation), Mr. Lyons joined the board of FT Capital Ltd. and was appointed its President in 1990 in order to assist in its reorganization. FT Capital Ltd. was wound up in June 2009 and Mr. Lyons ceased to be a director. Mr. Lyons was also a director of International Utilities Structures Inc. (IUSI) from 1991 to 2005. On October 17, 2003 IUSI was granted protection from its creditors under the *Companies' Creditors Arrangement Act* (CCAA) by the Court of Queen's Bench in Alberta. On March 31, 2005 an order was granted approving a final plan and distribution to creditors for IUSI under the CCAA. That plan was accepted by all parties and Mr. Lyons resigned as a director concurrent with the final order under the CCAA.
- (8) Mr. Maybank was a director and Executive Vice President of Itemus Inc., a company listed on the Toronto Stock Exchange, until July 2001 when the company made an assignment into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada).
- (9) On a *pro forma* basis, assuming completion of the Acquisition.

In addition, the Company has agreed that from and after Closing and until the earlier to occur of (i) the date on which the Genuity Committee Partners no longer directly or indirectly own, in the aggregate, at least 10% of the outstanding Common Shares (excluding Common Shares issued in respect of certain financings undertaken following Closing), and (ii) the release of the last Escrowed Shares, it will include on its proposed slate of directors, at each Shareholder meeting at which directors are to be elected, two nominees proposed by the Vendor Representative. From and after Closing and until the earlier to occur of (i) the date on which the Genuity Committee Partners no longer directly or indirectly own, in the aggregate, at least 5% but less than 10% of the outstanding Common Shares (excluding Common Shares issued in respect of certain financings undertaken following Closing), and (ii) the release of the last Escrowed, it will include on its proposed slate of directors, at each Shareholder meeting at which directors are to be elected, one nominee proposed by the Vendor Representative. Under the terms of his Employment Agreement, Mr. Kassie will be recommended to the Board by the Company for election by the Board as the Company's Group Chairman for so long as at least one nominee is entitled to be nominated to the Board pursuant to these arrangements and for so long as Mr. Kassie is appointed as a Director of the Company.

As members of management, neither Mr. Kassie nor Mr. Evershed will be considered "independent" for purposes of applicable securities laws. Consequently, following completion of the Acquisition, six of the 13 directors of the Company will be "independent" for purposes of applicable securities laws. Mr. Kassie's and Mr. Evershed's biographies are set out below.

David Kassie. David Kassie is Principal, Chairman and CEO of GCM. Prior to 2004, he was Chairman and Chief Executive Officer of CIBC World Markets and the Vice Chairman of CIBC. Mr. Kassie has extensive experience as an advisor, underwriter and principal. Mr. Kassie sits on a number of corporate boards including ACE Aviation Holdings Inc. and AIM Health Group Inc. and he was a director of Alliance Atlantis Communications Inc. from 1992 to 2007. Mr. Kassie is actively involved in community and charitable organizations and is on the boards of directors of the Hospital for Sick Children, the Ivey School of Business and the Toronto International Film Festival Group. Mr. Kassie holds a B.Comm. (Honours) in Economics from McGill University, and an MBA from the University of Western Ontario.

Philip Evershed. Mr. Evershed is a principal of Genuity, a Canadian investment bank. Prior to co-founding Genuity, Mr. Evershed spent 14 years at CIBC World Markets, most recently as Co-Head of Investment Banking and Head of Mergers and Acquisitions. Prior to joining CIBC, Mr. Evershed was Chief of Staff to the Deputy Prime Minister of Canada. Mr. Evershed sits on the boards of directors of Canadian Satellite Radio Holdings Inc. and Iogen Corporation. Mr. Evershed has an MA (Economics) from the University of Toronto and a BA (School of Business and Economics) from Wilfrid Laurier University.

Management

The combination of the Company and Genuity will add greater depth to the Canaccord Group's management team, and the Company expects to integrate members of the Genuity Partners Committee as part of its management structure.

Following Closing, David Kassie will serve as the Company's Group Chairman, while Peter Brown will serve as Chairman and Founder. Paul Reynolds, Mark Maybank and Brad Kotush will continue as President and Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer of the Company, respectively.

Jens Mayer (from the Canaccord Group) and Ted Hirst (from Genuity) will serve as Global Co-Heads of Investment Banking. Daniel Daviau (from Genuity) will be Head of Canadian Investment Banking. Earl Rotman (from Genuity) will be appointed Vice Chairman, Investment Banking and Philip Evershed (from Genuity) will be a Managing Director, Investment Banking. Barry Goldberg (from Genuity) will be Global Head of Mergers, Acquisitions and Restructuring and Matthew Gaasenbeek (from the Canaccord Group) will be Global Head of Sales and Trading. Mark Maybank will continue to serve as Global Director of Research.

Legal Proceedings

Following the Acquisition the Company will be subject to the legal proceedings described under "Description of the Company — Legal Proceedings" and "Appendix "D" — Legal Proceedings and Regulatory Actions". See also "Risk Factors — Risk of Legal Proceedings".

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Equity compensation plan information⁽¹⁾

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders Stock Option Plan	225,000	\$15.37	2,387,927
LTIP ⁽²⁾	1,318,826	\$ 9.47	9,819,974
Equity compensation plans not approved by securityholders	—	Not applicable	—
Total	1,543,826	Not applicable	12,207,901

Notes:

- (1) The information in this table is given as of March 31, 2009.
- (2) This information relates to the shares issuable from treasury under the Long Term Incentive Plan ("LTIP") for awards in respect of all fiscal quarters ended on or before March 31, 2009. It does not include the shares purchased for the LTIP by the key employee benefit trust.

Long Term Incentive Plan (LTIP)

Under the long term incentive plan for capital markets and senior operations and administration management, total compensation to participating employees consists in part of restricted share units which vest over three years. The eligible participants are employees in the Canaccord Adams capital markets division of the Canaccord Group and senior operations and administration management employees of companies in the Canaccord Group. The LTIP was approved by the Company's shareholders at the Company's 2007 annual general meeting on August 2, 2007.

The eligible participants are located in Canada, the United States and the United Kingdom. The general terms of the LTIP are the same for each country but, because of jurisdictional differences, the plans are

implemented in slightly different ways and there are separate plan texts for each of the countries. For employees in Canada (principally employees of CFL), a key employee benefit trust has been established, and the Company or CFL funds the trust with cash which will be used by a trustee to purchase Common Shares on the open market that will be held in trust by the trustee until restricted share units vest, or the Company issues Common Shares from treasury to plan participants following the vesting of restricted share units. For employees in the United States and the United Kingdom (principally employees of Canaccord Adams Limited and Canaccord Adams Inc.), at the time of each restricted share unit award, the Company allots Common Shares and these shares will be issued from treasury at the time they vest with each participant.

The plan is administered by the Board of Directors, the Corporate Governance and Compensation Committee (or such other committee of the Board of Directors that the Board may authorize to administer the LTIP; the “Committee”) and the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company (the “Executive Officers”).

All Common Shares issued by the Company under the LTIP are issued in consideration of cash paid to the Company by the applicable subsidiary of the Company or for past services performed by the plan participant for the Company that have an aggregate value that equals or exceeds the issue price for such shares. The issue price is the market price of the Common Shares on the TSX as determined by the Committee or the Executive Officers at the time of the award.

The maximum number of Common Shares that may be issued from treasury under the LTIP is 10,000,000. This represents approximately 18% of the number of Common Shares outstanding as of the date of this Circular. The maximum number of Common Shares that may be issued from treasury, and that may be subject to restricted share unit awards under the LTIP in respect of any four consecutive fiscal quarters of the Company is 2,000,000. This represents approximately 3.6% of the Common Shares outstanding on the date of this Circular. In addition,

- (a) the maximum number of Common Shares which may be reserved for issuance to any Person at any time under the LTIP may not exceed 2.5% of the Common Shares outstanding at the time of any award to that Person; and
- (b) the aggregate number of Common Shares:
 - (i) issued to insiders of the Company, within any one-year period; and
 - (ii) issuable to insiders of the Company, at any time;

under the LTIP, or when combined with all of the Company’s other security based compensation arrangements (as defined in the Toronto Stock Exchange Company Manual), may not exceed 10% of the Common Shares then outstanding.

Unless the Committee or an Executive Officer specifically determines otherwise, no restricted share unit awarded under the LTIP is assignable or transferable. In appropriate cases the Committee or an Executive Officer may, in their discretion, permit assignment or transfer of restricted share units.

Vesting. Restricted share units awarded under the LTIP do not vest immediately. Restricted share units awarded under the LTIP will vest at such time or times and on such terms and conditions as the Board of Directors, the Committee or any Executive Officer awarding the restricted share units may determine. It is anticipated that if the awardee continues to be employed by a company of the Canaccord Group, is terminated by the Company other than for cause, is permanently disabled or upon resignation or termination has entered into appropriate exit arrangements in respect of non-competition and non-solicitation, the restricted share units will vest over a three-year period. Awards which do not vest will be cancelled. On the death of an awardee, all unvested restricted share units will vest immediately. All unvested restricted share units may be vested at any time at the discretion of the Board of Directors, the Committee or, subject to any guidelines determined by the Committee, any Executive Officer. It is expected that the exercise of this discretion would be considered in such circumstances as a change of control of the Company. In no event will any unvested restricted share unit vest after the end of the calendar year which is three years following the end of the calendar year that includes the date on which the restricted share unit was awarded.

Until the restricted share units vest, none of the voting rights attached to the shares may be exercised and dividends will not be paid in respect of such shares. However, after vesting, the awardee will receive a “dividend equivalent” in an amount, determined in such manner as the Committee or any Executive Officer may determine, in order to generally put the awardee in the same position, after taxes, as the awardee would have been in relation to dividends as if the awardee had held the unvested restricted share units as vested shares.

Resale restrictions after vesting. Even after vesting, 50% of the shares acquired under the LTIP will be subject to restrictions on transfer that are related to certain minimum share ownership guidelines for plan participants as established by the Board of Directors, the Committee or the Executive Officers.

The restrictions on transfer may be waived, in whole or in part, at any time by the Committee or any Executive Officer. It is anticipated that any waiver must be approved by either the Committee or any two Executive Officers who are not interested in the shares which are the subject of the restrictions.

Amendment of LTIP. Except when shareholder approval is specifically required, the Board of Directors or the Committee may amend the LTIP at any time in accordance with applicable legislation and subject to any required regulatory approval without the approval of the shareholders of the Company provided that no such amendment will adversely affect the rights of any grantee with respect to awards previously made to any grantee without the consent of such grantee. Shareholder approval is specifically required for:

- (a) an increase in the number of Common Shares which may be issued under the LTIP;
- (b) a reduction in the issue price for any Common Shares issuable under the LTIP benefiting any insider of the Company;
- (c) an extension of the term under any award benefiting an insider of the Company; and
- (d) amendments to the amendment provisions of the LTIP;

provided that such approval will not be required for any change or adjustment to (i) the number of Common Shares that may be issued under the LTIP, (ii) the issue price for any Common Shares issuable under the LTIP, or (iii) other change or adjustment in accordance with the provisions of the LTIP which provide for such change or adjustment in respect of certain events, including a subdivision, stock split, combination or exchange of shares, merger, consolidation, recapitalization, amalgamation, plan of arrangement, reorganization, spin-off or other distribution of the Company’s assets to shareholders, and other similar corporate transactions or events.

Share Option Plan

The Company has a share option plan (the “**Share Option Plan**”) whereby it may grant options to purchase Common Shares to directors, officers, employees and consultants of the Canaccord Group. The Share Option Plan is designed to advance the interests of the Company by encouraging directors, officers, employees and consultants to have equity participation in the Company through the acquisition of Common Shares. Options to purchase Common Shares may be granted from time to time by the Board of Directors at an exercise price determined by them, which in no case would be less than that required by any applicable regulatory authority. The Share Option Plan was approved by the Company’s shareholders at the Company’s 2004 annual general meeting on June 21, 2004.

The number of Common Shares issuable pursuant to options granted under the Share Option Plan is fixed at 2,612,927 Common Shares (approximately 4.7% of the number of Common Shares that are outstanding as of the date of this Circular). The maximum number of Common Shares available for issuance to any one Person under the Share Option Plan is 5% of the Common Shares outstanding at the time of the grant. Options granted under the Share Option Plan are non-assignable and non-transferable other than in accordance with the Share Option Plan and must be exercised no later than 10 years after the date of the grant, or a lesser period as determined by the Board of Directors and approved by any applicable regulatory authority. Except as otherwise determined by the Board of Directors, if a participant ceases to be a director, officer, employee or consultant for any reason other than death (but including termination for or without cause), options will cease to be exercisable 30 days after the termination date. In the case of death, the options may be exercised within one year of the participant’s death.

The Share Option Plan also provides for share appreciation rights subject to activation of such provisions by the Board of Directors. If such rights are activated, an optionee would be entitled to elect to terminate his or her options, in whole or in part, and, in lieu of purchasing the Common Shares to which the terminated option(s) relates, receive that number of Common Shares which, when multiplied by the value per share of the Common Shares, has a total value equal to the product of the number of such common shares multiplied by the difference between the value per share and the exercise price per share of such Common Shares.

Amendment of Share Option Plan. Approval of the shareholders of the Company will be required for any amendment of the Share Option Plan. No such amendment may alter or impair any options or any rights pursuant to any options previously granted to any participant without the consent of such participant.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the aggregate indebtedness (other than “routine indebtedness”) outstanding as at February 28, 2010, entered into in connection with a purchase of securities of the Company and all other indebtedness of all executive officers, directors, employees and former executive officers, directors and employees of the Canaccord Group.

Aggregate indebtedness Purpose (a)	To the Company or its subsidiaries (b)	To another entity (c)
Share purchases	\$41,818,296	—
Other	\$21,802,875	—

The following table sets out the indebtedness (other than “routine indebtedness”) to the Canaccord Group outstanding as at February 28, 2010, of each director and executive officer of the Company, and each associate of such director or executive officer.

Name and Principal Position (a)	Involvement of Company or subsidiary (b)	Amount outstanding as at February 28, 2010 (c)	Security for indebtedness (d)
Bradley Kotush CFO	Subsidiary is the lender	\$ 116,025	Shares purchased
Mark Maybank Chief Operating Officer	Subsidiary is the lender	\$5,388,439	Shares purchased

The indebtedness of the executive officers was incurred in connection with loans to purchase Common Shares in programs targeted at key executive-level employees of the Company who did not have significant holdings of the Company’s shares. Some of the loans are forgivable loans under which the subsidiary of the Company which employed the executive officer lent to the executive officer, without interest, between 40% and 50% of the aggregate purchase price of the shares and agreed, subject to certain terms, to forgive the loans over a three- or four-year period from the initial advance of the loan or at the end of that period. If the executive officer resigns or is terminated for cause, then that proportion of all shares purchased which the unforgiven portion of the loan bears to the aggregate purchase price will be repurchased by the officer’s employer; this has the effect of limiting the recourse on the loan to a portion of the shares purchased. All shares purchased are subject to a security interest in favour of the employer, are held in escrow and bear a legend reflecting the restrictions on the shares.

Except as noted in this section, none of the directors or executive officers of the Company has more than “routine indebtedness” to the Company.

RISK FACTORS

Shareholders should carefully consider the risk factors set out below regarding the risks of the Acquisition and consider all other information contained herein and in the Company's other public filings before determining how to vote on the matters before the Meeting.

Risks Relating to the Acquisition

Closing of the Acquisition

The Acquisition is expected to close on or about April 23, 2010, subject to approval by the Shareholders of the Share Issuance Resolution, receipt of all necessary regulatory approvals (including TSX, TSX-V and Bourse approval and IIROC approval), and the other closing conditions described in the Acquisition Agreement. There can be no assurance that the parties will be able to obtain the necessary approvals or that any additional conditions or limitations will not be prescribed in connection with such approvals, compliance with which may have a material adverse effect on the prospects for the completion of the Acquisition and/or thereafter, impose additional obligations or compliance costs on the combined business or have a material adverse effect on the business, financial condition and results of operations of the combined business. Accordingly, there can be no assurance that the Company will complete the Acquisition on the basis described herein or on the expected closing date, if at all.

The Acquisition Agreement May be Terminated

The parties to the Acquisition Agreement have the right to terminate the Acquisition Agreement in certain circumstances. Accordingly, there is no certainty that the Acquisition Agreement will not be terminated prior to the completion of the Acquisition. See "The Acquisition — Acquisition Agreement — Termination and Abandonment".

Integration of the Combined Business

The Company's ability to maintain and successfully execute its business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of its senior professionals. Any management disruption or difficulties in integrating the Canaccord Group's and Genuity's professionals could result in a loss of clients and customers, or revenues from clients and customers, and could significantly affect the Company's business and results of operations. The success of the Acquisition will depend, in large part, on the ability of management of the Company to realize the anticipated benefits and cost savings from integration of the businesses of the Canaccord Group and Genuity. The integration of the businesses of the Canaccord Group and Genuity may result in significant challenges, and Management of the Company may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management of the Company to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Acquisition.

The integration of Genuity requires the dedication of substantial Management effort, time and resources which may divert Management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that Management of the Company will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Acquisition. Any inability of management to successfully integrate the operations of the Canaccord Group and Genuity, including, but not limited to, information technology and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of the Company. The challenges involved in the integration may include, among other things, the following:

- the necessity of coordinating both geographically disparate and geographically overlapping organizations and addressing possible differences in corporate and regional cultures and management philosophies;

- integrating and retaining personnel from different companies while maintaining focus on providing consistent, high-quality client service;
- retaining key personnel and clients during the period between execution of the Acquisition Agreement and the Closing and post-Closing, including addressing the uncertainties of key employees regarding their future, managing trading risk and exposure and addressing client concerns;
- integrating information technology systems and resources;
- integrating the Company's accounting system and adjusting its internal control environment to cover Genuity's operations;
- unforeseen expenses or delays associated with the Acquisition;
- unforeseen facilities-related issues;
- performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the Acquisition; and
- meeting the expectations of clients during the period between execution of the Acquisition Agreement and the Closing and post-Closing with respect to the overall integration of the businesses.

The integration of certain operations, in particular regarding the two companies' research and brokerage businesses, following the Acquisition will take time and will require the dedication of significant Management resources, which may temporarily distract Management's attention from the routine business of the combined company.

The acquisition of Genuity represents the Company's largest and most significant acquisition as a public company. Employee uncertainty and lack of focus during the integration process may also disrupt the business of the combined company.

It is possible that the integration process could result in the loss of key employees, diversion of management's attention, the disruption or interruption of, or the loss of momentum in, ongoing business or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect the Company's ability to maintain relationships with clients and employees or its ability to achieve the anticipated benefits of the transaction, or could reduce its earnings or otherwise adversely affect the business and financial results of the combined company. In addition, the integration process may strain the combined company's financial and managerial controls and reporting systems and procedures. This may result in the diversion of management and financial resources from the combined company's core business objectives.

Client Risk

The Company's success depends in large part on whether the Company fulfills its obligations with clients and keeps its clients satisfied. The successful integration of Genuity will also depend on the Company's ability to retain existing Company and Genuity clients and maintain relationships with those clients. If the Company fails to maintain relationships with the Company's or Genuity's existing clients, satisfactorily perform its obligations or address performance issues, or makes professional errors in the services that it provides, then clients could terminate projects, exposing the Company to loss of its professional reputation and risk of loss or reduced profits.

Enforcement of Remedies

The Acquisition Agreement, Non-Competition Agreements, Escrow Agreements and Employment Agreements contain a number of representations, warranties and covenants in favour of the Company, as well as certain remedies, including indemnities in favour of the Company in the event of, among other things, breach of such provisions and the right to obtain Escrowed Shares to satisfy such claims. There can be no assurance that the Company will be able to enforce such remedies or that the Company will not suffer losses because of the failure to enforce any such remedy. In addition, the indemnifications contemplated by the Acquisition Agreement are, in some cases, subject to maximum aggregate recovery amounts that may be required to be paid to the Company, as well as a threshold before any claims can be made and recourse is limited, in some cases, to

the Escrowed Shares. If the Company incurs losses in excess of such maximum aggregate recovery amounts or the value of Escrowed Shares available to satisfy an indemnification claim, its financial condition may be adversely impacted. If the Company is entitled to indemnification by the Genuity shareholders, it may be costly to enforce those rights and/or it may not be successful in collecting amounts to which it is entitled. If there are liabilities of Genuity of which the Company is not aware, it may have little or no recourse against the Genuity shareholders and may be obligated to bear the costs of those liabilities. In addition, many of the Genuity shareholders will continue as employees of the combined company following Closing of the Acquisition. Accordingly, if an indemnifiable claim does arise, the Company may need to weigh the need to be indemnified for that claim against the potential employee distraction or damage to client and employee relations that may result if the Company were to seek recourse for that claim.

Risk of Legal Proceedings

The Canaccord Group, in the normal course of business, is involved in litigation and is a defendant in various legal actions, including those described under “Description of the Company — Legal Proceedings”. Canaccord has established accruals for matters that are probable and can be reasonably estimated. While the outcome of these actions is uncertain, management’s evaluation and analysis indicates that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial condition of Canaccord. There is no certainty, however, that there will not be an adverse resolution that would be material and cause a substantial financial loss. See note 17 on Commitments and contingencies in the audited consolidated financial statements for the year ended March 31, 2009 and note 13 on Commitments and contingencies in the unaudited consolidated financial statements for the nine months ended December 31, 2009.

In addition, GCM has been named as co-defendant in an action alleging improper solicitation of the plaintiffs’ employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against GCM is for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for \$10 million for punitive and exemplary damages. As CFL will assume all the assets and liabilities of GCM, it may be subject to any judgment that may be made against GCM in connection with this, or any other litigation. If an award were to be made against CFL in connection with this or other litigation, the financial condition of the Company may be materially adversely affected.

Key Executives

Following the completion of the Acquisition, the Company will depend heavily on the members of its management team and their departure could cause its operating results to suffer. In particular, the Company will be very reliant on the current members of Genuity management for the continued successful operation of the business attributable to the former GCM. The future success of the Company will depend on, among other things, its ability to retain the services of these executives and to hire other highly qualified employees at all levels. The Company will compete with other potential employers for executives, and it may not be successful in hiring and keeping the services of executives that it needs. The loss of the services of, or the Company’s inability to hire, executives could hinder its business operations and growth.

Reliance on Employees

The success of the transaction will depend in part on the Company’s ability to retain personnel currently employed by the Canaccord Group and Genuity. It is possible that these employees might decide not to work productively with the Company, might harm Company assets, or might decide not to remain with the Company either while it works to complete the transaction or after the transaction is completed. If key employees terminate their employment, or insufficient numbers of employees are retained to maintain effective operations, the combined company’s business activities might be adversely affected, management’s attention might be diverted from successfully integrating Genuity’s operations to hiring suitable replacements, and the combined company’s business might suffer. In addition, the Company might not be able to locate suitable replacements for any key employees that leave the Company or offer employment to potential replacements on reasonable terms.

Successful integration of the Genuity business will depend, in part, on the continued retention of Genuity employees following Closing, as well as retention of the Company's existing employees. Competition for employees with the qualifications necessary to carrying on the Company's post-Acquisition business can be intense. Competition for the recruiting and retention of employees increases compensation costs. In the event that employees elect not to work at Canaccord, there can be no assurance that Canaccord will be able to recruit a sufficient number of professionals with the desired qualifications, in a timely manner and on financial terms that are acceptable to the Company. The failure to retain both Genuity and Company employees and to recruit new professionals could materially and adversely affect future operating results.

Dilutive Effect

The issue of the Consideration Shares as part of the Purchase Price, if the Acquisition is completed, will have a dilutive effect on the ownership interest of Shareholders in the Company. There can be no assurance that such dilution will not have a negative impact on the price of the Common Shares.

Employee Ownership

Following the completion of the transaction, the 20 largest employee Shareholders are expected to collectively own approximately 27% of the total Common Shares outstanding. As a result of these shareholdings, the Company's employees will be able to exert significant influence over the Company.

Management of Expanding Operations

As a result of the Acquisition, significant demands will be placed on the managerial, operational and financial personnel and systems of the Company. No assurance can be given that such systems, procedures and controls will be adequate to support the expansion of operations of the Company. The future operating results of the Company will be affected by the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational and financial controls and reporting systems. If the Company is unsuccessful in managing such demands and changing business conditions, its financial condition and results of operations could be materially adversely affected.

Realization of Acquisition Benefits

As described in "The Acquisition — Background to the Acquisition — Benefits of the Acquisition", Management believes that the Acquisition will provide a number of benefits to the Company. However, there is a risk that some or all of the expected benefits of the Acquisition may fail to materialize, or may not occur within the time periods anticipated by Management. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

General Risk Factors

For a description of certain risk factors in respect of the business of the Canaccord Group and the industry in which it operates, which will continue to apply to the Canaccord Group after completion of the Acquisition, see "Risk Factors" in the AIF. For a description of certain risk factors in respect of the business of Genuity and the industry in which it operates, which will continue to apply to the Canaccord Group after the Acquisition is completed, see "Risk Factors" in Appendix "D". The risk factors contained in Appendix "D" were prepared by Genuity, and any differences in wording or expression with similar risk factors described by the Company are not intended to be determinative or reflect a substantive difference as to the risks.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Circular, none of the persons who are directors or executive officers of the Company or of any of the subsidiaries of the Company or the associates or affiliates of those Persons has or has had any material interest, direct or indirect, in any transaction since April 1, 2009, or in any proposed transaction which has materially affected or would materially affect the Canaccord Group.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed in this Circular, none of the persons who are or have been directors or executive officers of the Company since April 1, 2009 or the associates or affiliates of those persons have any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., at its principal offices in Vancouver and Toronto.

EXEMPTIVE RELIEF

The Company has received relief from the requirement to include historical financial statements of GFG and the Holdcos, and *pro forma* financial statements of the Company reflecting the financial results of GFG and the Holdcos, in this Circular from the applicable securities regulatory authorities in Canada.

ADDITIONAL INFORMATION

Current financial information for the Company is provided in the Company's comparative financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to the Company can be found under the Company's profile on the SEDAR website at www.sedar.com.

Copies of the Company's AIF, annual report (including management's discussion and analysis), financial statements, and this Circular may be obtained upon request to the Company. The Company may require the payment of a reasonable charge if the request is made by a person who is not a Shareholder of the Company.

OTHER MATTERS TO BE ACTED UPON

It is not known whether any other matters will come before the Meeting other than those set forth above and in the notice of meeting, but if any other matters do arise, the Persons named in the Proxy intend to vote on any poll, in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters ratified in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment thereof.

Dated on March 24, 2010.

By order of the board of directors

"Martin L. MacLachlan"

Corporate Secretary

AUDITORS' CONSENT — THE COMPANY

We have read the management information circular of Canaccord Financial Inc. (the “Company”, formerly Canaccord Capital Inc.), dated March 24, 2010 with respect to the proposed acquisition of Genuity Capital Markets and certain of its affiliates (“Genuity”). We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned management information circular of our report dated May 8, 2009 to the shareholders of the Company on the consolidated balance sheets of the Company as at March 31, 2009 and 2008, and the consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity and cash flows for the years then ended.

Vancouver, Canada
March 24, 2010

Ernst & Young LLP
Chartered Accountants

AUDITORS' CONSENT — GENUITY CAPITAL MARKETS

We have read the management information circular of Canaccord Financial Inc. dated March 24, 2010 with respect to the proposed indirect acquisition of Genuity Capital Markets and certain of its affiliates. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned management information circular of our report dated March 5, 2010 to the Partners Committee of Genuity Capital Markets on the combined balance sheets of the Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, Genuity G.P. Inc and 2054386 Ontario Inc. (the "Combined Entity") as at January 31, 2010 and 2009 and the combined statements of operations, changes in partners' equity and cash flows for each of the years in the three-year period ended January 31, 2010.

Toronto, Canada
March 24, 2010

KPMG LLP
Chartered Accountants, Licensed Public Accountants

APPENDIX "A"

SHARE ISSUANCE RESOLUTION

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. Canaccord Financial Inc. (the "**Company**") is authorized to issue up to 26,500,000 common shares of the Company as partial consideration for the Acquisition, in accordance with the terms of the Acquisition Agreement;
2. notwithstanding that this resolution has been duly passed, the board of directors of the Company may, without further notice to or approval of the shareholders of the Company, subject to the terms of the Acquisition Agreement, cause the Company to amend or terminate the Acquisition Agreement or revoke this resolution at any time prior to the completion of the Acquisition;
3. capitalized terms used in this resolution but not otherwise defined herein have the meaning ascribed to such terms in the management information circular of the Company dated March 24, 2010; and
4. any one director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

APPENDIX “B”
FAIRNESS OPINION



KEEFE, BRUYETTE & WOODS

March 3, 2010

Canaccord Financial Inc.
Brookfield Place
161 Bay Street, 30th Floor
Toronto, ON M5J 2S1
Canada

Attention: Special Committee of The Board of Directors

Members of the Special Committee:

You have requested our opinion as investment bankers as to the fairness, from a financial point of view, to Canaccord Financial Inc. (“Canaccord”) of the acquisition consideration (as defined herein) in the proposed acquisition (the “Acquisition”) of two amalgamation corporations formed by amalgamation of the holdco corporations owning all of the partnership interests in Genuity Capital Markets and its subsidiaries (“Target”) by Canaccord, pursuant to the Securities Purchase Agreement, to be entered into on March 3, 2010, by and among Canaccord, Genuity Capital Markets, The Committee Partners, The Committee Partner Family Trusts, and each other person who becomes a party to the Securities Purchase Agreement by executing a Joinder Agreement (as such terms are defined in the Securities Purchase Agreement) (the “Agreement”). Pursuant to the terms of the Agreement, and the transactions contemplated thereby, the shareholders of the Target will in the aggregate receive: (i) CAD\$30 million in cash, (ii) 26.5 million Canaccord common shares, and (iii) up to CAD\$28 million cash, subject to Final Genuity Closing Working Capital (as defined in the Agreement) being at least CAD\$26 million (“Acquisition Consideration”). The terms and conditions of the Acquisition are more fully described in the Agreement.

Keefe, Bruyette & Woods, Inc., has acted as financial advisor to Canaccord. As part of our investment banking business, we are continually engaged in the valuation of the securities of financial services companies in connection with acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of financial services companies, we have experience in the valuation of securities broker-dealers and investment banking enterprises. In the ordinary course of our business as a broker-dealer, we may, from time to time, purchase securities from, and sell securities to, Target and Canaccord, and as a market maker in securities, we may from time to time have a long or short position in, and buy or sell, debt or equity securities of Canaccord for our own account and for the accounts of our customers. To the extent we have any such positions as of the date of this opinion it has been disclosed to Canaccord. We have acted exclusively for the Special Committee of the Board of Directors of Canaccord in rendering this fairness opinion and will receive a fee from Canaccord for our services. A portion of our fee is contingent upon the successful completion of the Acquisition.

In connection with this opinion, we have reviewed, analyzed and relied upon material bearing upon the financial and operating condition of Target and Canaccord and the Acquisition, including among other things, the following: (i) the Agreement and Ancillary Agreements (as defined in the Agreement); (ii) Canaccord annual reports for the fiscal years ending March 31, 2008 and March 31, 2009, and its interim financial statements for the quarters ending December 31, 2009, September 30, 2009 and June 30, 2009; (iii) certain supplementary financial information of Canaccord for the quarter ending December 31, 2009; (iv) Target audited and unaudited financial information and supplements for fiscal years ending January 31, 2006, 2007, 2008 and 2009, and unaudited financial statements for the eleven months ending December 31, 2009 and the twelve months ended January 31, 2010; and (v) other financial information concerning the businesses and operations of Target and Canaccord furnished to us by Target and Canaccord for purposes of our analysis. We have also held discussions with senior management of Target and Canaccord regarding the past and current

business operations, regulatory relations, financial condition and future prospects of their respective companies and such other matters as we have deemed relevant to our inquiry. In addition, we have compared certain financial information for Target and certain financial and stock market information for Canaccord with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the broker-dealer and investment banking industry and performed such other studies and analyses as we considered appropriate.

In conducting our review and arriving at our opinion, we have relied upon the accuracy and completeness of all of the financial and other information provided to us or publicly available and we have not independently verified the accuracy or completeness of any such information or assumed any responsibility for such verification or accuracy. We have relied upon the management of Target and Canaccord as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefore) provided to us, and we have assumed that such forecasts and projections reflect the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such managements. In rendering our opinion, we have not made or obtained any evaluations or appraisals of the property or assets of Target or Canaccord.

We have assumed that, in all respects material to our analyses, the following: (i) the Acquisition will be completed substantially in accordance with the terms set forth in the Agreement; (ii) the representations and warranties of each party in the Agreement and in all related documents and instruments referred to in the Agreement are true and correct; (iii) each party to the Agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents; (iv) all conditions to the completion of the Acquisition will be satisfied without any waivers; and (v) in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Acquisition, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the Acquisition, including the cost savings, revenue enhancements and related expenses expected to result from the Acquisition.

We have considered such financial and other factors as we have deemed appropriate under the circumstances, including, among others, the following: (i) the historical and current financial position and results of operations of Target and Canaccord; (ii) the assets and liabilities of Target and Canaccord; and (iii) the nature and terms of certain other merger and acquisition transactions involving broker-dealer and investment banking companies. We have also taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the financial services industry generally. Our opinion is necessarily based upon conditions as they exist and can be evaluated on the date hereof and the information made available to us through the date hereof. Our opinion does not address the underlying business decision of Canaccord to engage in the Acquisition, or the relative merits of the Acquisition as compared to any strategic alternatives that may be available to Canaccord.

We are not expressing any opinion about the fairness of the amount or nature of the compensation to any of Canaccord or Target's officers, directors or employees, or any class of such persons, relative to the compensation to the shareholders of Target.

This opinion has been reviewed and approved by our Fairness Opinion Committee in conformity with our policies and procedures established under the requirements of Rule 2290 of the Financial Institutions Regulatory Authority.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Acquisition Consideration is fair, from a financial point of view, to Canaccord.

Very truly yours,

Keefe, Bruyette & Woods, Inc.

Keefe, Bruyette & Woods • 787 Seventh Avenue • New York, NY 10019
212.887.7777 • Toll Free: 800.966.1559 • www.kbw.com

APPENDIX “C”
TRANSACTION STEPS

The organizational structure of Genuity is set out under “Organizational Structure” in Appendix “D” hereto.

The following is a description of certain events to occur in connection with, or pursuant to, the Acquisition.

Closing Steps

It is contemplated that the following events will occur on the Closing Date in connection with completion of the Acquisition:

- (a) CFL, a wholly-owned subsidiary of the Company will purchase substantially all of the assets of GLP in consideration for cash and the assumption of substantially all of the liabilities of GLP pursuant to the GLP Asset Purchase Agreement.
- (b) GFG will be dissolved and an undivided interest in all of the assets of GFG will be distributed to the partners thereof (i.e., the Holdcos) *pro rata*, based on their partnership interests. At the time of the dissolution, the material assets of GFG will consist of: (i) partnership units in GCM, (ii) shares of 2054386, and (iii) shares of Genuity GP.
- (c) All of the Holdcos (other than ULC Holdcos) will be amalgamated pursuant to the laws of Ontario (the amalgamated corporation is hereinafter referred to as “**Amalco 1**”).
- (d) All of the ULC Holdcos will be amalgamated pursuant to the laws of Alberta (the amalgamated unlimited liability corporation is hereinafter referred to as “**Amalco 2**”).
- (e) The Company (or an affiliate of the Company) will purchase the shares of Amalco 1 and Amalco 2 from the Vendors in consideration for the Purchase Price.

Following the completion of the foregoing transaction steps, the Company will indirectly own all of the equity interests in GCM, 2054386, Genuity GP and Genuity USA, and substantially all of the assets of GLP.

Post-Closing Transaction Steps

Following the completion of the foregoing, the Company will undertake certain internal transactions, such that GCM will be operated for a short period of time by a subsidiary of the Company, and will ultimately be dissolved with the result that CFL will carry on GCM’s business and will become the employer of its former employees. CFL will also change its name to “Canaccord Genuity Corp.”. In addition, the operating entity in the United States, Canaccord Adams Inc., will be renamed Canaccord Genuity Inc. and the operating entity in the United Kingdom, Canaccord Adams Limited, will be renamed Canaccord Genuity Limited. Collectively, these operating entities will be known as Canaccord Genuity.

APPENDIX “D”
INFORMATION CONCERNING GENUITY
CORPORATE STRUCTURE

Name, Address and Formation

GCM is a partnership formed and existing under the laws of the Province of Ontario on September 9, 2004 and governed by an Amended and Restated Partnership Agreement dated January 18, 2005.

GFG is a partnership formed and existing under the laws of the Province of Ontario on September 9, 2004 and governed by an Amended and Restated Partnership Agreement dated January 18, 2005.

The head and principal office of Genuity is located at Suite 4900 of Scotia Plaza, 40 King Street West, PO Box 1007, Toronto, ON M5H 3Y2.

Incorporate Relationships

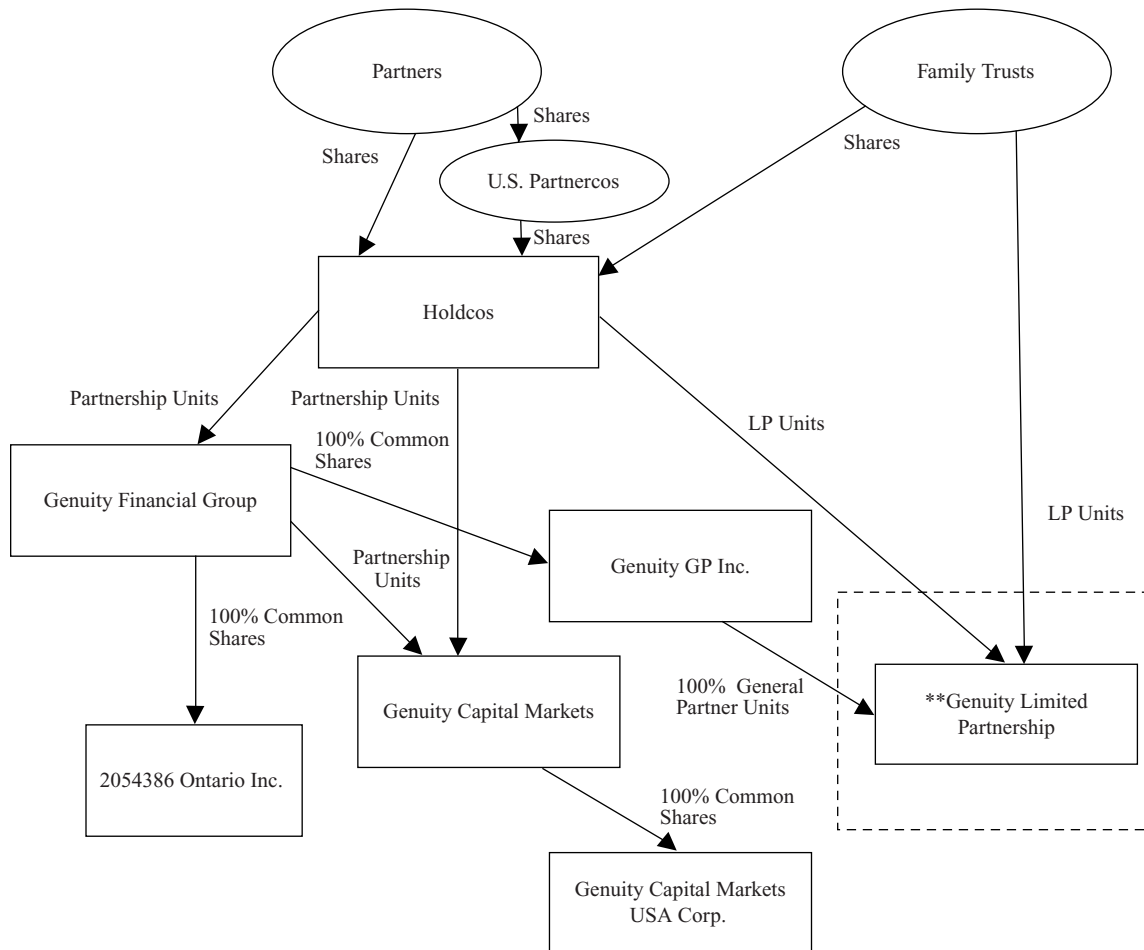
As of the date hereof, GCM’s sole Subsidiary is Genuity USA, a corporation incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) and of which Genuity owns 100% of the voting interest.

The following table highlights the entities directly or indirectly controlled by GFG as of the date hereof, including (i) the percentage of votes attaching to all voting securities of the entities beneficially owned, controlled or directed, directly or indirectly, by GFG, and (ii) the jurisdiction of incorporation or formation:

Entity	Jurisdiction	Percentage of Interest held directly or indirectly by GFG
GCM	Ontario	41.52%
2054386	Ontario	100%
Genuity GP	Ontario	100%
GLP	Ontario	100% of the Class 1 Interests (equivalent to 0.01% of the Partnership equity)

Organizational Structure

The following diagram sets forth the organizational structure of Genuity as of the date hereof:



** Note: The service business assets and operating liabilities of GLP will be acquired by the Company pursuant to the GLP Asset Purchase Agreement and the GLP entity will not be acquired as part of the Acquisition. See “The Acquisition — Ancillary Agreements — GLP Asset Purchase Agreement”.

Changes to the intercorporate relationships and organizational structures of Genuity are contemplated as part of the Acquisition and are described in “Appendix “C” — Transaction Steps”.

BUSINESS OF GENUITY

Description of the Business

Business Overview

Genuity is a full service independent investment dealer, offering a wide range of investment banking services to Genuity's institutional and corporate clients. Genuity's key services include advice regarding mergers and acquisitions and restructuring transactions, equity underwriting, sales and trading and equity research.

Genuity is 100% indirectly owned by the Partners, who, for the most part, are fully engaged in Genuity's business, and therefore Genuity is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

Genuity has four offices in Canada (Toronto, Montreal, Calgary and Vancouver), each of which is engaged in all of Genuity's principal businesses, except for the Calgary office, where there are no sales and trading operations. Genuity also has sales and trading operations in New York and Boston.

Genuity provides the three critical service elements required by institutional and corporate capital markets clients: investment banking (including advisory and equity underwriting); institutional sales and trading; and equity research. There is also a small internal support group in finance and compliance, with operations and technology outsourced to external service providers.



History and Background

Genuity was founded in 2005 by a group of highly experienced investment banking and capital markets professionals, many of whom had previously worked at major bank owned dealers in Canada. The vast majority of the founding group continues with the business today as Partners. Genuity was founded on the principle that creating value for clients would be the first priority. The goal of the founders was to make Genuity the pre-eminent Canadian independent investment bank.

Genuity was created due to a belief among the founders that the bank-dominated Canadian capital markets environment created an opportunity for an independent firm with the credibility of highly experienced professionals with extensive client relationships.

Genuity has proven highly effective at adapting to changing market environments, particularly with respect to the introduction of new restrictions on income trusts in 2006 and the recent financial crisis of 2008 and 2009.

Each of these challenges has provided an opportunity for Genuity to build its business and reputation by generating and providing creative solutions for its clients.

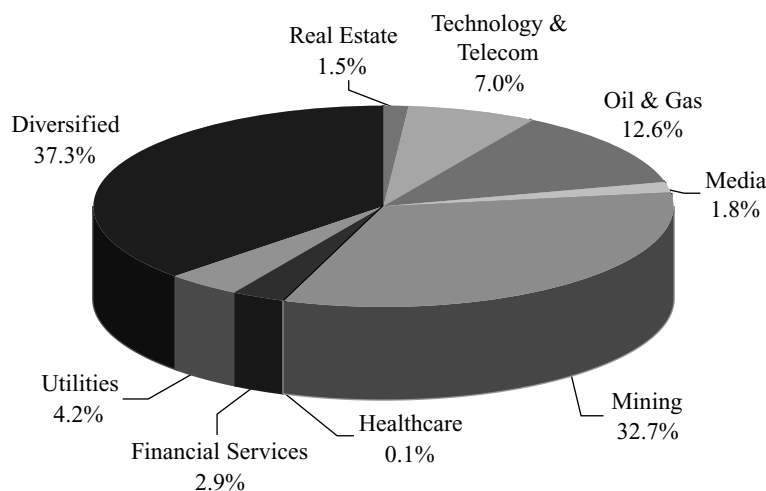
Investment Banking

Genuity's investment banking services can be segmented into two primary types: advisory services, which includes advice related to mergers and acquisitions and restructuring transactions; and equity underwriting. Genuity earns revenue from investment banking activity principally through advisory fees and underwriting fees and commissions. Such fees and commissions are usually received in the form of cash, but on occasion may include stock or warrants or a combination thereof. Fees and commissions earned from investment banking activity in the fiscal year ended January 31, 2010 were \$73.5 million or approximately 66% of total revenue for fiscal 2010. Investment banking revenue in fiscal 2009 was \$68.7 million or 67% of total revenue for that fiscal year.

Genuity's investment banking professionals have developed knowledge and expertise in a wide variety of industries: mining, oil and gas, diversified industries, financial services, media & telecom, technology, utilities, healthcare, industrial products, and real estate (including real estate investment trusts).

Investment banking activity and revenue from these industry sectors is as follows:

Genuity Investment Banking Revenue by Sector⁽¹⁾



(1) Financial year 2010 ending January 31, 2010.

Advisory

Advisory services involve providing advice to boards of directors and management of corporate clients, financial investors or other groups in connection with mergers, acquisitions, restructuring transactions and debt advisory and placements. Genuity has been successful in securing a wide range of advisory mandates across industry sectors and in varying transaction sizes. Fees for advisory work tend to be success based, with the bulk payable on closing of a transaction, sometimes with small work fees or milestone payments paid on an interim basis. Advisory services accounted for revenue of \$38.6 million in the fiscal year ended January 31, 2010 compared to \$43.2 million in the previous fiscal year.

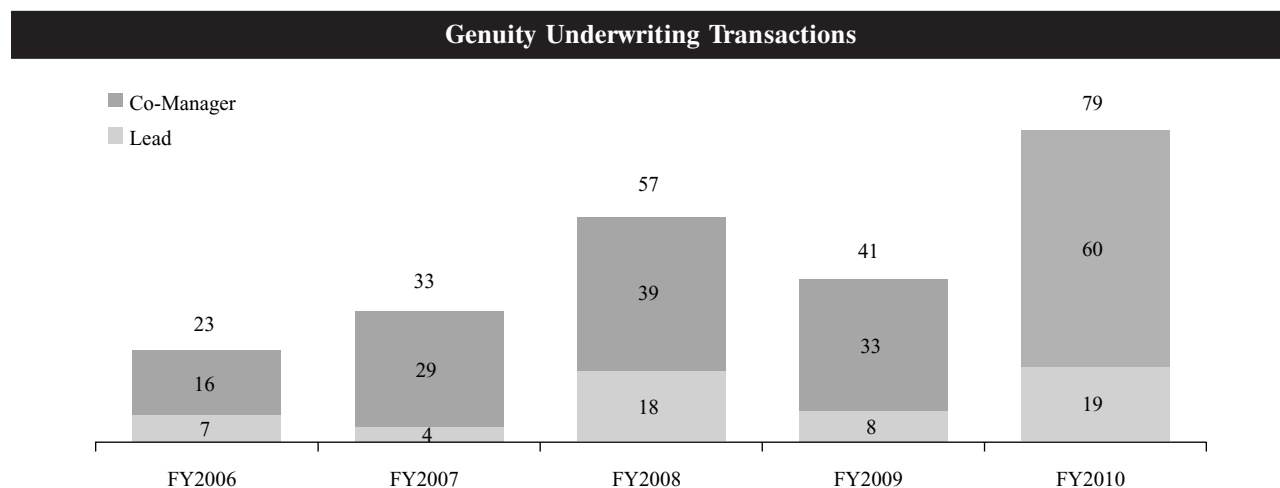
The top 10 advisory transaction deals on which Genuity has acted since inception are summarized in the table below.

Date	Client	Transaction	Industry	Size (US\$ mm)
24-July-06	ATI Technologies Inc.	Sold to: Advanced Micro Devices Inc.	Technology	\$5,028
28-Jun-07	Yamana Gold Inc.	Acquired: Meridian Gold Inc.	Mining	\$3,427
06-Nov-06	Bema Gold Corp.	Sold to: Kinross Gold Corp.	Mining	\$2,899
04-Jun-07	General Electric Co.	Acquired: Dundee Real Estate Portfolio	Real Estate	\$2,267
10-Jan-07	Canwest Global Communications Corp.	Acquired: Alliance Atlantis Communications	Media	\$2,145
04-Sept-08	Borealis Infrastructure Management Inc.	Acquired: Teranet Income Fund	Infrastructure	\$1,847
07-Oct-06	Viterra Inc.	Acquired: Agricore United	Agriculture	\$1,563
19-May-09	Viterra Inc.	Acquired: ABB Grain Ltd.	Agriculture	\$1,482
15-Apr-07	Algoma Inc.	Sold to: Essar Group	Industrial Products	\$1,421
16-Apr-07	UE Waterheater Income Fund	Sold to: Alinda Capital Partners LLC	Utilities	\$1,382

Equity Underwriting

Equity underwriting consists of arranging, managing and participating in a broad range of public offerings, private placements and rights offerings principally in equity securities of public companies or companies going public through an initial public offering. Genuity also acts as agent and underwriter for a limited number of private companies. Genuity participates in these transactions both as an underwriter where securities are purchased from the corporate issuer and re-sold to investors and as an agent where Genuity acts as an agent on behalf of the corporate issuer to sell the securities to investors. When acting as underwriter, Genuity's capital is at risk for a short period between entering into the underwriting commitment and completing the re-sale of the securities to investors. When acting as agent there is generally no capital exposure for Genuity. Underwriting accounted for revenue of \$35.0 million in the fiscal year ended January 31, 2010 compared to \$25.4 million in the previous fiscal year.

The number of deals by year for which Genuity has acted as lead underwriter or co-manager since inception is summarized in the table below.



Research

Genuity's research department is focused on providing its institutional clients with innovative ideas regarding investment opportunities. The team is comprised of analysts respected for sector knowledge and independent views with broader sector coverage than traditional independent dealers.

Genuity's research department has 30 professionals based in Toronto, Vancouver, Calgary and Montreal providing objective and timely research coverage on 176 companies in the areas of agriculture, consumer products, energy, financial services, industrial products, infrastructure, media and telecommunications, metals and mining, real estate, technology and transportation.

The distribution of this research activity between the different industry sectors is described in the table below:

Sector	Issuers Covered	Sector	Issuers Covered
Agriculture & Fertilizers	6	Industrial Products	6
Auto Components/Transportations	11	Infrastructure	6
Banks/Insurance	11	Integrated Oil & Gas	11
Base Metals & Minerals	19	Media/Telecommunications	10
Consumer & Merchandising	12	Oil & Gas Exploration & Production	27
Diversified Financials	13	Precious Metals	14
High Tech/Communication Equipment	11	Real Estate	19

Genuity's research analysts provide in depth coverage of large and mid-capitalized entities through full length research reports, smaller notes, earnings estimates and comments on the companies that it covers. Research reports focus on key drivers of share price movements and providing insight into topics that are less well understood.

Genuity applies three research ratings to each company covered: buy, sell and hold.

- **BUY** — The stock is expected to outperform others in the same industry sector and provide the best risk reward ratio.
- **HOLD** — Stocks returns expected to be in-line with the sector average over 12 months or do not offer a compelling risk/reward profile.
- **SELL** — Stocks returns expected to be significantly below the sector average over 12 months, or with unacceptable risk relative to the potential reward.

Genuity also applies one of three risk ratings: Low/Average, Above Average and Speculative.

- **LOW/AVERAGE RISK** — Stocks with less volatility than the market as a whole, with solid balance sheets and dependable earnings.
- **ABOVE AVERAGE RISK** — Stocks with more volatility than the market. Financial leverage is considerable but not threatening, earnings are more erratic, or other quality concerns regarding accounting, management track record, and similar issues.
- **SPECULATIVE** — Stocks of unproven companies or ones with very high financial leverage, suspicious accounting, or with other significant quality concerns. A speculative risk rating implies at least the possibility of financial distress leading to a restructuring.

Genuity's research department is highly regarded by industry insiders and an independent survey of Canadian "buy-side" institutions in 2009 (Brendan Wood International Canadian Institutional Equity 2009 Report) ranked Genuity among the best of Canadian-owned independent dealers in Canada. This survey ranking considered factors such as quality of investment ideas, level of contact, sector knowledge and quality of

written reports. The same report identified three of Genuity's analysts (covering telecom and cable, auto components, insurance and banks) as "all stars".

Sales and Trading

Genuity's institutional sales and trading operation has 25 professionals in its offices in Toronto, Vancouver, Toronto, Montreal, New York and Boston, providing services to 315 major institutional investors, primarily in Canada and the United States. This team of sales professionals and traders is dedicated to providing value added market information, advice and trade execution to these accounts. The institutional sales professionals work closely with Genuity's research analysts and trading desk in order to maintain regular contact with the portfolio managers, industry specialists and analysts of each institutional client.

Revenue is generated through commissions from acting as agent for the purchase and sale of securities on behalf of institutional clients. This trading is primarily done on an agency basis but on a limited basis, Genuity's capital is used to buy and sell security positions for its own account as a means of facilitating the execution of trades on behalf of institutional clients. Fees and commissions earned from sales and trading activity, prior to impact of facilitation trading losses in the fiscal year ended January 31, 2010 were \$30.3 million or approximately 27% of total revenue for fiscal 2010. Sales and trading revenue, prior to impact of facilitation trading losses in fiscal 2009 was \$32.4 million or 32% of total revenue for that fiscal year. Facilitation trading losses in fiscal 2010 were \$5.0 million, compared to \$36.8 million in fiscal 2009. In fiscal 2009, there was an abnormal loss related to three concentrated positions and the market turmoil that affected overall market liquidity.

In addition to its continuing success in securing clients in Canada and the U.S., Genuity has recently added a capability in developing relationships with European and other international institutional accounts and serving their research and trading needs in respect of Canadian securities.

Competition

There are a number of competitors in Canada competing for investment banking, sales and trading and research services. Genuity competes with other Canadian independent firms, dealers owned by the Canadian "Big 6" banks, and firms owned by foreign banks and global investment banks. Several of these firms, through their parent companies, are able to offer a wider range of financial services and capabilities which in turn can create potential conflict situations. Genuity competes with these institutions as well as with other independent firms on the basis of independence, client focus, creativity, experience of its professional personnel and institutional relationships.

There is also competition for capital markets industry professionals. Genuity competes with other financial institutions for investment bankers, trading professionals and other specialized personnel on the basis of the independent nature of the services and products it provides, its entrepreneurial culture and its ownership and compensation structure.

Finance and Operations

Genuity's finance and operations personnel are responsible for finance, compliance, front and back office information technology systems, employee administration, premises and risk management. Genuity has approximately 10 full time employees engaged in these activities. The information technology and securities operations functions are outsourced to third party service providers on a contract basis which is a cost effective and highly efficient alternative to securing these critical functions.

The finance group is based in Toronto and all employees report directly to the Chief Financial Officer. The department focuses on monthly and annual reporting, taxation and treasury. The group is also responsible for daily regulatory reporting.

Employee administration matters are managed by the office manager in Toronto who reports to the Chief Financial Officer. Any partner admissions are approved by the 11-member Partners' Committee that comprises senior principals from each business area and any other hires are approved by the relevant department head. Genuity utilizes Automatic Data Processing, Inc. for payroll processing and reporting.

Genuity's information technology requirements are outsourced to a third party technology firm focused on the investment banking industry. See "Information Technology".

Genuity's risk management and compliance activities are closely supervised by the Chief Executive Officer and Chief Financial Officer. Each of the functions and activities related to accounting, treasury, regulatory, tax, legal, employee administration, information technology and premises are performed with risk management being a critical consideration in both day to day activities and key decision points. The principal risk areas relate to market risk, operational risk and regulatory and legal risk. See "Risk Management".

Genuity's middle-office function is a critical resource for sales & trading and equity capital markets. Genuity is registered as a Type II Introducing Broker with IIROC; Penson Financial Services Canada Inc. ("Penson") acts as carrying broker, with all clients introduced by Genuity being carried on the books of Penson. Two Genuity employees, reporting to sales and trading department heads, liaise with Penson to ensure that trades are reflected correctly on Penson's books and all trades are confirmed and settled and, along with Genuity's Chief Financial Officer and Chief Compliance Officer, to ensure that all regulatory requirements are being met.

Information Technology

Genuity has outsourced all of its information technology requirements to Frontline Technologies Corporation ("Frontline"), a third party technology firm focused on serving the investment banking industry. This arrangement has proven to be a reliable, effective and cost efficient solution to this critical function. This relationship works as a business partnership whereby approval of Genuity's Partners' Committee is required for system changes, hardware and software purchases, etc. Frontline also acts as intermediary for provision of information technology products or services, as required. Genuity utilizes a number of proprietary tools developed by the service provider including a research distribution platform, firewall and anti-spam software.

Intellectual Property

Genuity protects its intellectual property through a combination of copyrights, trade secrets and contractual arrangements. Genuity relies on trademark and copyright law, trade secret protection and confidentiality arrangements. Genuity pursues the registration of its trademarks and servicemarks for the purposes of the financial services sector in Canada, the United States and other countries as required.

Principal Facilities

Genuity's head office is located in Toronto, Ontario. Genuity does not own any real estate.

The following table sets out certain information regarding Genuity's material leased office premises:

Lease Agreements							
	Toronto		Calgary	Montreal	Vancouver	Boston	New York
	40 King St. W. 49 th Fl.	40 King St. W. 48 th Fl.	300 5 th Ave. SW, 17 th Fl.	1800 McGill St. 30 th Fl.	550 Burrard St. 17 th Fl.	99 High St. 10 th Fl.	717 Fifth Ave. Suite 1403
	22,822 sq. ft.	11,238 sq. ft.	5,470 sq. ft.	5,559 sq. ft.	4,218 sq. ft.	1,450 sq. ft.	2,358 sq. ft.
Lease Terms							
Expiry	31-Oct-12	31-Oct-12	31-Aug-10	31-Mar-11	30-Nov-14	31-Oct-10	31-Jul-12
Renewal	1-Nov-12 – 31-Oct-17	1-Nov-12 – 31-Oct-17			1-Dec-14 – 30-Nov-19		
Renewal Option Exercise Period	1-Nov-11 – 31-Jan-12	1-Nov-11 – 31-Jan-12			31-May-13 – 30-Nov-13		

Risk Management

Uncertainty and risk are inherent with any financial markets activity. As an active participant in the Canadian capital markets Genuity is exposed to risks which could result in financial losses. Genuity's principal risks relate to market risk, operational risk and regulatory and legal risk. Accordingly, risk management is a critical function to effectively managing the business.

Genuity has developed policies and procedures to identify, control, measure and monitor its risk exposure at all times. Genuity has adopted a pervasive approach to risk management, applying risk management considerations to every major decision as well as to day to day activities. This requires constant communication, judgment and knowledge of Genuity's business, products and markets. Genuity's senior management is actively involved with the risk management process and has developed policies and reports that require specific administrative procedures and actions to assess and control various risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

Even with the policies and procedures which Genuity has established for controlling or limiting risk there is no certainty that such policies and procedures will be completely effective. Unforeseen events and changes in the economy may lead to market disruptions and unexpected large or rapid changes in market prices and market conditions which may have a significant adverse effect on Genuity's business and financial prospects and stability.

Market Risk

Market risk is the risk that a change in market prices, foreign exchange rates, interest rate levels, indices, liquidity and other market factors will result in losses. Each business area is responsible for ensuring that market risk exposures are prudent. In addition, Genuity has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Genuity is exposed to equity price risk, liquidity risk and volatility risk in the part of its sales and trading business where Genuity uses its own capital to buy and sell security positions for its own account as a means to facilitate the execution of trades on behalf of institutional clients if an offsetting purchaser or seller is not immediately available. In addition to active supervision and review of trading activities by senior management, Genuity mitigates its risk exposure through a variety of limits to control concentration, capital allocation and capital usage and through trading policies and guidelines. Partners' Committee members also review and monitor inventory levels and positions, trading results, aging and concentration levels. In this way, Genuity can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by the Partners' Committee.

With the competitive nature of financial markets in Canada, certain of Genuity's equity financing activity is done on a "bought deal" basis whereby an underwriting commitment is made subject to only very limited termination provisions. These termination conditions usually exclude reductions in market price and, accordingly, Genuity faces a risk of loss in the event that underwritten securities cannot be resold to investors at the issue price because of changes in market price or other factors. Genuity limits its risk exposure in this area by participating in such transactions on a syndicated basis, requiring that all such transactions are approved by a committee of Partners, both for purposes of capital allocation and for purposes of deal quality and marketability. An effort is also made to limit the time period between the date a commitment is made and the date Genuity is able to distribute or re-sell the underwritten securities to investors.

Operational Risk

Operational risk refers to the risk of financial loss resulting from Genuity's own operations including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in Genuity's operating systems and inadequacies or breaches in Genuity's control procedures. To mitigate operational risk Genuity has developed a system of internal controls and checks and balances at appropriate levels which include overnight trade reconciliation, control procedures related to clearing and settlement, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures and authorization and processing controls in respect of transactions and accounts. Genuity's Chief Compliance

Officer, along with two staff, manages all compliance related requirements and reports to the Chief Financial Officer. The Chief Compliance Officer also has a direct reporting relationship to the Chief Executive Officer, the firm's Ultimate Designated Person. Genuity has disaster recovery procedures in place, business continuity plans and built-in redundancies in the event of a systems or technological failure. Historically, Genuity has not incurred any material losses arising from operational matters or technological failures.

Regulatory and Legal Risk

Regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements. Genuity is subject to extensive regulation and oversight in the jurisdictions in which it operates. These regulations are established through government regulation by a variety of government agencies and through industry regulation by a variety of self-regulatory bodies. Genuity has established procedures to ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of client funds, money-laundering and recordkeeping.

Genuity has procedures in place to review potential investment banking clients and proposed transactions and client reports such as formal valuations and fairness opinions to ensure that all of its capital markets activity is compliant. These procedures include the active involvement of senior management through a regime of committee approvals and authorizations, the use of external legal counsel as appropriate and utilizing in-house professionals with industry experience.

See also "Risk Factors".

DISTRIBUTIONS

	<u>Years Ended January 31,</u>			<u>Since Feb. 1,</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>
Aggregate (\$ millions)	63.7	133.6	62.9	32.0 ⁽¹⁾

Notes

(1) As at the date of this Circular, the amount noted is an approximate figure and Genuity has not yet made the related distribution. It is anticipated that such distribution will be made by Genuity within one week of the date of the Circular.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATIONS

Management's Discussion and Analysis for the 12 Month Period ended January 31, 2010 as compared to the same period in 2009

This Management Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Genuity⁽¹⁾ in the 12 month period ended January 31, 2010 (the "2010 fiscal period") as compared to the same period ending January 31, 2009 (the "2009 fiscal period"). This discussion of the financial condition and results of operations of Genuity should be read in conjunction with the combined financial statements and notes thereto for the 12 month period ended January 31, 2010 found elsewhere in this Circular. These combined financial statements have been prepared for inclusion in the Circular. These combined financial statements combine entities which are under common control. The combined financial statements are prepared as at January 31, 2010 and 2009 and for the years ended January 31, 2010, 2009 and 2008. Certain entities in the combined financial statements have non-coterminous year ends. Significant transactions occurring in the non-coterminous period have been included in the combined financial statements. These combined financial statements include the following entities which are collectively referred to as the "Genuity Financial Statements":

- Genuity Capital Markets ("GCM") and its wholly owned subsidiary Genuity Capital Markets USA Corp. — balance sheets as at January 31, 2010 and 2009. Statements of operations, changes in Partners' equity and cash flows for each of the years ended January 31, 2010, 2009 and 2008.
- Genuity Limited Partnership ("GLP") — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in Partners' equity and cash flows for each of the years ended December 31, 2009, 2008 and 2007.
- 2054386 Ontario Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows for each of the years ended December 31, 2009, 2008 and 2007.
- Genuity G.P. Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows for each of the years ended December 31, 2009, 2008 and 2007.

Significant related party transactions have been eliminated upon the combination of Genuity.

GCM and GLP are partnerships. The combined financial statements include on the assets, liabilities, revenue and expenses of Genuity and do not include other assets, liabilities, revenue and expenses of the Partners.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Forward-looking statements are included under the heading "Contingencies and Commitments". These statements are based on current expectations and are subject to risks which are in the "Results of Operations — Risks and Uncertainties" section in this MD&A and would include, but are not limited to, market risk, credit risk, foreign exchange risk, operational risk and legal and regulatory risk. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect Genuity's current views and are based on certain assumptions. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on these forward-looking statements. Although the forward-looking information contained in this MD&A is based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

Except as required by applicable law, Genuity undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

(1) For purposes of the MD&A portion of this Appendix D, the term "Genuity" includes Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, 2054386 Ontario Inc. and Genuity G.P. Inc. and does not include Genuity Financial Group.

The information in this report is as at January 31, 2010, unless otherwise indicated. All amounts are reported in Canadian dollars.

Business Overview

Genuity is a full service independent investment dealer, offering a wide range of investment banking services to Genuity's institutional and corporate clients. Genuity's key services include advice regarding mergers and acquisitions and restructuring transactions, equity underwriting, sales and trading and equity research.

Genuity is 100% indirectly owned by the Partners, who, for the most part, are fully engaged in Genuity's business, and therefore Genuity is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

Genuity has four offices in Canada (Toronto, Montreal, Calgary and Vancouver), each of which is engaged in all of Genuity's principal businesses, except for the Calgary office, where there are no sales and trading operations. Genuity also has sales and trading operations in New York and Boston.

Genuity provides the three critical service elements required by institutional and corporate capital markets clients: investment banking (including advisory and equity underwriting), institutional sales and trading and equity research. There is also a small internal support group in finance and compliance, with operations and technology outsourced to external service providers.

Distributions

Genuity is 100% indirectly owned through a partnership structure and any distributions made to Partners are made at the discretion of the Partners' Committee and subject to a determination of Genuity's capital requirements. As Partners do not receive a salary, all of the consideration paid to Genuity Partners is in the form of distributions. During the 2010 fiscal period, Genuity distributed \$62.9 million to its Partners.

Selected Annual Financial Information

(in millions of dollars)

	<u>Fiscal Year Ended January 31, 2010</u>	<u>Fiscal Year Ended January 31, 2009</u>
Revenues	112.0	102.0
Income before tax	71.2	31.3
Net income after taxation	71.3	31.4
Distribution to Partners	62.9	133.6
	<u>As at January 31, 2010</u>	<u>As at January 31, 2009</u>
Total Assets	100.3	130.7
Total Debt	3.8	4.2
Total Partners' Equity	63.9	54.6

Results of Operations

Comparison of the Twelve Month Period Ended January 31, 2010 and January 31, 2009.

Revenues

Genuity's revenue is generated through five activities: commissions and fees associated with agency sales and trading, fees from advisory services (mergers and acquisitions and restructuring), underwriting commissions, interest and other (comprised of realized and unrealized gains and losses on broker warrants, gains and losses on portfolio investments and recovery of client expenses).

Revenue for the 2010 fiscal period was \$112.0 million, an increase of 9.8% or \$10.0 million from the previous year. In general, revenue improved as a result of the overall recovery in the financial sector from the late 2009 fiscal period. Specifically, the change in total revenue is due to the substantial increase in underwriting activity leading to an increase in fees of \$9.5 million and an increase in other income of \$9.0 million attributable to a number of factors including an increase of \$4.3 million in realized and unrealized gains on broker warrants and a \$2.5 million increase in gains on portfolio investments. Partially offsetting the foregoing was a decline in advisory services revenue of \$4.7 million due to the slow recovery of mergers and acquisitions markets, which typically lag equity market recoveries by several quarters. There was also a decline in sales and trading commissions of \$2.1 million. Interest revenue was also down \$1.8 million as Genuity elected to distribute earnings throughout the year, rather than retaining higher levels of cash for longer periods as it had done in the prior year, as well as lower interest rates throughout the period.

Expenses

Expenses for the 2010 fiscal period were \$40.7 million, a decrease of 42.3% or \$29.9 million from the previous year. This difference was largely accounted for by a reduction in facilitation trading losses of \$31.8 million from \$36.8 million in the 2009 fiscal period to \$5.0 million in the 2010 fiscal period, which was primarily related to three concentrated positions that resulted in an abnormal loss in 2009. Trading expenses declined by \$0.6 million (19.7%) primarily due to lower carrying costs with the carrying broker and lower trading error expense, offset partially by higher exchange fees. Compensation and benefits to non-Partners increased marginally by \$0.2 million (1.7%) to \$13.1 million. General and administrative costs increased from \$1.8 million to \$11.6 million primarily due to the introduction of a portfolio management fee paid to a related party and associated portfolio costs. Occupancy costs declined 4.8% to \$2.7 million. Data processing and communications expenses increased by \$0.3 million (8.4%) to \$4.0 million. Amortization of capital assets increased by \$0.2 million and there was a foreign exchange loss of \$0.2 million compared to very small foreign exchange gain in the previous period.

Interest expense, a relatively small component of Genuity's overall expenses, was \$0.3 million in the 2010 fiscal period, a decline of \$90,855 from the previous year.

Income Taxes

GCM and GLP are not subject to income tax. The Partners are individually liable for their share of taxable income. As a result, no tax provision has been made in the financial statements relating to GCM and GLP.

Income tax expense related to the Genuity taxable entities increased to a recovery of \$80,148 in the 2010 fiscal period from a recovery of \$119,757 in the previous year.

Net Income

Net income after taxation (but before distribution to Partners) was \$71.3 million in the 2010 fiscal period compared to \$31.4 million in the previous year. The increase was primarily related to the abnormal facilitation trading loss in the 2009 fiscal period (described above). The increase in net income was further increased by the overall revenue increase, primarily attributable to the improved underwriting fees and commissions and gains on broker warrants. Offsetting the increase was a decline in the advisory services revenue. Apart from facilitation trading losses, aggregate expenses, including income tax, were effectively flat from the fiscal 2009 period to the fiscal 2010 period.

Risks and Uncertainties

Genuity is subject to the normal business risks associated with firms operating in the investment banking industry in Canada. For a greater detailed explanation of these risks, refer to Note 3 of Genuity's audited financial statements at January 31, 2010.

Summary of Quarterly Results

(In thousands of dollars, except per unit amounts)

For the Quarters Ended

	Jan. 31, 2010	Oct. 31, 2009	Jul. 31, 2009	Apr. 30, 2009	Jan. 31, 2008	Oct. 31, 2008	Jul. 31, 2008	Apr. 30, 2008
	(\$ millions, except per unit amounts in dollars)							
Revenue	30.8	36.7	19.6	24.9	23.9	26.3	20.9	30.8
Net income	17.4	27.3	12.8	13.9	14.4	1.6	(2.3)	17.7
Net earnings per unit ⁽¹⁾	776	1,238	589	635	649	71	(106)	866

Notes

- (1) The earnings per unit measurement is not an effective measure of Genuity's earnings, as the interconnected relationship between distributions, salaries and other compensation varies from year to year, resulting in annual variations that are not reflective of financial performance.

Financial Condition

Liquidity and Capital Resources

During the fiscal 2010 period, Genuity generated \$2.5 million of cash, compared to usage of \$108.7 million in the previous year, primarily owing to the timing of Partner distributions. The reasons for this increase in cash generation are as follows:

- Operating activities, before changes in non-cash working capital, generated \$72.5 million in the fiscal 2010 period, as compared to \$32.5 million the previous year. This was largely driven by increased net income, a result of the decline in facilitation trading losses in the 2010 fiscal period from the previous year.
- Cash provided by operating activities, including changes in non-cash working capital, was \$65.8 million in the 2010 fiscal period, as compared to cash provided of \$23.8 million in the previous year. Change in non-cash working capital decreased to net use of cash of \$6.7 million in the 2010 fiscal period from a net use of cash of \$8.7 million in the previous year. The primary impacts to change in non-cash working capital were a reduction in cash generated from the decrease of securities owned of \$266.7 million, offset by a reduction of cash used in reducing the payable to carrying broker of \$27.1 million and reducing the accounts payable of \$247.2 million. There was also an increase in cash used for accounts receivable of \$3.1 million and a decrease in the cash generated from securities sold short of \$2.0 million.
- Investing activities consumed \$0.5 million in the 2010 fiscal period versus \$2.4 million in the previous year as a result of a reduction in the purchase of capital assets.
- Financing activities consumed \$62.9 million in the 2010 fiscal period compared to \$130.0 million in the previous period. This change is primarily due to a decrease of \$70.7 million in Partners' draws from \$133.6 million in the 2009 fiscal period to \$62.9 million in the 2010 fiscal period. There was also a decline in proceeds from the issuance of partnership units of \$2.7 million.

Total Assets

Total assets at the end of the 2010 fiscal period were \$100.3 million as compared to \$130.7 million the previous year. The largest contributor to the decline was in securities owned, which was \$33.2 million at the end of the 2010 fiscal period, a decline of \$36.6 million from the end of the 2009 fiscal period. This was partially offset by an increase in accounts receivable of \$4.4 million, cash of \$0.9 million, term deposits of \$1.6 million and amounts due from affiliates of \$0.4 million. There was a decline in capital assets of \$1.0 million.

Total Liabilities

Total liabilities at the end of the 2010 fiscal period were \$36.5 million as compared to \$76.0 million in the previous year. The largest contributor to the decline was in accounts payable and accrued liabilities, which was

\$19.4 million at the end of the 2010 fiscal period, a decline of \$38.3 million from the end of the 2009 fiscal period. Also declining were deferred rent, which dropped \$0.2 million, payable to carrying broker which fell \$1.8 million and promissory notes which declined \$0.3 million. This was partially offset by an increase of \$1.1 million in securities sold short.

Hedging

Derivative financial instruments, consisting generally of foreign currency exchange contracts entered into to offset exposure related to client trading in U.S. dollars, are carried at estimated fair value. Realized and unrealized gains and losses related to the contracts are recognized in operations as they occur. No realized or unrealized gains or losses were recognized in either the 2010 fiscal period or the 2009 fiscal period.

Related Party Transactions

As of January 31, 2010, Genuity Capital Management Services Inc., Genuity Fund Partnership, Genuity Fund Management Inc. and Genuity Financial Group II Limited Partnership were related parties of Genuity. As at the end of the 2010 fiscal period, Genuity had total receivables from these entities of \$407,476 including: \$40,472 from Genuity Capital Management Services Inc. (compared to \$44,296 in the prior period), \$200,000 from Genuity Fund Partnership (compared to \$nil in the prior period), \$163,684 from Genuity Fund Management Inc. (compared to \$nil in the prior period) and \$3,320 from Genuity Financial Group II Limited Partnership (compared to \$nil in the prior period).

Genuity also had a payable to Genuity Financial Group of \$412,194 at the end of the 2010 fiscal period compared to \$476,371 as at the end of the prior period.

Balances with affiliates are non-interest bearing and are due on demand. The fair value of these amounts cannot be determined with sufficient reliability.

Transactions with Genuity Capital Management Services Inc.

Certain expenses, including salaries and benefits, are initially paid by Genuity and recovered at cost from Genuity Capital Management Services Inc. These cost recoveries are recorded as a credit to expenses which appropriately reflects the nature of the transactions.

Transactions with Genuity Financial Group

During the 2010 fiscal period, Genuity issued and repaid no interest bearing subordinated loans to Genuity Financial Group (“GFG”), compared to \$19.4 million in the 2009 fiscal period. As at the end of the 2010 fiscal period, there were no subordinated loans due to GFG, the same as the previous year. During the 2010 fiscal period, interest of \$nil was incurred on these loans compared to \$0.3 million in the prior year.

Transactions with Genuity Fund Management Inc.

During the year, Genuity paid \$1.0 million to Genuity Fund Management Inc. for portfolio management services, compared to \$nil the previous year.

Transactions with Genuity Fund Corp.

During the year, Genuity purchased \$5.0 million redeemable, non-voting, participating shares of Genuity Fund Corp., a mutual fund corporation managed by Genuity Fund Management Inc., compared to \$nil the previous year. As at the end of the 2010 fiscal period, these shares are recorded at a fair value of \$5.1 million, compared to \$nil the previous year.

Promissory notes

Promissory notes are issued to related persons or entities. All promissory notes are non-interest bearing and due on demand. Their fair value cannot be determined with sufficient reliability. The balance at the end of the 2010 fiscal period was \$3.8 million, compared to \$4.2 million at the end of the prior period.

Contingencies and Commitments

Genuity has been named as co-defendant in an action alleging improper solicitation of the plaintiffs' employees, misuse of confidential information and misappropriation of corporate opportunities. The amount of the claim against all parties is \$10,000,000, a return of bonuses and an accounting of the profits Genuity made as a result of these alleged activities. Management believes these claims can be wholly defended and no liability will be determined against Genuity.

From time to time, in connection with its operations, Genuity is named as a defendant in actions for damages and costs. On an on-going basis, management assesses the likelihood of any adverse judgments or outcomes in these matters, as well as ranges of probable losses and costs. A provision is recorded when a loss is likely and the amount is determinable.

Lease Commitments

Rents payable on leased premises and equipment are as follows:

2011	2,958,890
2012	2,438,958
2013	1,868,072
2014	269,767
Thereafter	<u>224,263</u>
	<u>7,759,950</u>

Genuity also pays a share of common costs and property taxes with respect to office leases. In connection with office leases, as at the end of the 2010 fiscal period Genuity's bank had issued standby letters of credit for \$535,463 (compared to \$603,420; a year prior) to the landlords. Genuity has provided a security interest in term deposits to its bank to satisfy these letters of credit.

Indemnities

In the normal course of operations, Genuity provides indemnifications, which are typically standard contractual terms, to counterparties in transactions, such as service agreements and purchases of goods. Under these agreements, Genuity agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of Genuity in relation to the agreement. The nature of the indemnifications in these agreements prevents Genuity from making a reasonable estimate of the maximum potential amount that Genuity could be required to pay such counterparties pursuant to the indemnifications.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Investments in illiquid broker warrants are measured at fair value using a valuation model. There is inherent uncertainty and imprecision in estimating the factors that can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of revenue or loss recorded for a particular broker warrant in any given period.

Future income tax assets related to tax loss carry forwards are recorded when it is more likely than not that future taxable income will be available to absorb these losses. Actual results could differ from those estimates.

Changes in Accounting Policies

For purposes of the preparation of the Genuity Financial Statements, requirements of Handbook Sections 3862, 3863 and 1535 have been included.

Recent Accounting Pronouncement:

In June 2009, the CICA issued amendments to section 3862 Financial Instruments — Disclosure standard to expand disclosures of financial instruments consistent with new disclosure requirements made under International Financial Reporting Standards. These amendments introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of instruments. The fair values for the three levels are based on:

- Level 1 — quoted prices in active markets
- Level 2 — models using observable inputs other than quoted market prices
- Level 3 — models using inputs that are not based on observable market data

Management's Discussion and Analysis for the 12 Month Period ended January 31, 2009 as compared to the same period in 2008

This Management Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Genuity⁽²⁾ in the 12 month period ended January 31, 2009 (the "2009 fiscal period") as compared to the same period ending January 31, 2008 (the "2008 fiscal period"). This discussion of the financial condition and results of operations of Genuity should be read in conjunction with the combined financial statements and notes thereto for the 12 month period ended January 31, 2009 found elsewhere in this Circular. These combined financial statements have been prepared for inclusion in the Circular. These combined financial statements combine entities which are under common control. The combined financial statements are prepared as at January 31, 2010 and 2009 and for the years ended January 31, 2010, 2009 and 2008. Certain entities in the combined financial statements have non-coterminous year ends. Significant transactions occurring in the non-coterminous period have been included in the combined financial statements. These combined financial statements include the following entities which are collectively referred to as the "Genuity Financial Statements":

- *Genuity Capital Markets ("GCM") and its wholly owned subsidiary Genuity Capital Markets USA Corp. — balance sheets as at January 31, 2010 and 2009. Statements of operations, changes in Partners' equity and cash flows for each of the years ended January 31, 2010, 2009 and 2008.*
- *Genuity Limited Partnership ("GLP") — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in Partners' equity and cash flows for each of the years ended December 31, 2009, 2008 and 2007.*
- *2054386 Ontario Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows for each of the years ended December 31, 2009, 2008 and 2007.*
- *Genuity G.P. Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows for each of the years ended December 31, 2009, 2008 and 2007.*

Significant related party transactions have been eliminated upon the combination of Genuity.

GCM and GLP are partnerships. The combined financial statements include on the assets, liabilities, revenue and expenses of Genuity and do not include other assets, liabilities, revenue and expenses of the Partners.

This MD&A contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results. The latter, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Forward-looking statements are included under the heading "Contingencies and Commitments". These statements are based on current expectations and are subject to risks which are in the "Results of Operations — Risks and Uncertainties" section in this MD&A and would include, but are not limited to, market risk, credit risk, foreign exchange risk, operational risk and legal and regulatory risk. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect Genuity's

(2) For purposes of the MD&A portion of this Appendix D, the term "Genuity" includes Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, 2054386 Ontario Inc. and Genuity G.P. Inc. and does not include Genuity Financial Group.

current views and are based on certain assumptions. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on these forward-looking statements. Although the forward-looking information contained in this MD&A is based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

Except as required by applicable law, Genuity undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

The information in this report is as at January 31, 2010, unless otherwise indicated. All amounts are reported in Canadian dollars.

Business Overview

Genuity is a full service independent investment dealer, offering a wide range of investment banking services to Genuity’s institutional and corporate clients. Genuity’s key services include advice regarding mergers and acquisitions and restructuring transactions, equity underwriting, sales and trading and equity research.

Genuity is 100% indirectly owned by the Partners, who for the most part are fully engaged in Genuity’s business, and therefore Genuity is independent, entrepreneurial and free from the institutional constraints and conflicts that can exist at larger financial institutions.

Genuity has four offices in Canada (Toronto, Montreal, Calgary and Vancouver) each of which is engaged in all of Genuity’s principal businesses, except for the Calgary office, where there are no sales and trading operations. Genuity also has sales and trading operations in New York and Boston.

Genuity provides the three critical service elements required by institutional and corporate capital markets clients: investment banking (including advisory and equity underwriting), institutional sales and trading and equity research. There is also a small internal support group in finance and compliance with operations and technology outsourced to external service providers.

Distributions

Genuity is 100% owned through a partnership structure and any distributions made to Partners are made at the discretion of the Partners’ Committee and subject to a determination of Genuity’s capital requirements. As Partners do not receive a salary, all of the consideration paid to Genuity Partners is in the form of distributions. During the 2009 fiscal period, Genuity distributed \$133.6 million to its Partners.

Selected Annual Financial Information

	Fiscal Year Ended January 31, 2009	Fiscal Year Ended January 31, 2008
	(in millions of dollars)	
Revenues	102.0	228.5
Income before tax	31.3	179.9
Net income after taxation	31.4	179.9
Distribution to Partners	133.6	63.7
	As at January 31, 2009	As at January 31, 2008
Total Assets	130.7	540.9
Total Debt	4.2	4.6
Total Partners’ Equity	54.6	153.1

Results of Operations

Comparison of the Twelve Month Period Ended January 31, 2009 and January 31, 2008.

Revenues

Genuity's revenue is generated through five activities: commissions and fees associated with agency sales and trading, fees from advisory services (mergers and acquisitions and restructuring), underwriting commissions, interest and other (comprised of realized and unrealized gains and losses on broker warrants, gains and losses on portfolio investments and recovery of client expenses).

Revenue for the 2009 fiscal period was \$102.0 million, a decrease of 55.4% or \$126.6 million from the previous year. In general, revenue declined as a result of the uncertainty that permeated the financial sector specifically, and the economy generally, throughout much of the 2008 calendar year. Specifically, the change in total revenue was due to the substantial decrease in underwriting activity leading to a decrease in underwriting fees and commissions of \$26.8 million, a decline in advisory services revenue of \$85.0 million and a decline in sales and trading commissions of \$12.0 million. There was also an increased negative other income of \$0.7 million primarily attributable to lower client cost recovery. Interest revenue was also down \$2.0 million as Genuity elected to distribute earnings throughout the year rather than retaining higher levels of cash for longer periods as it had in the prior year.

Expenses

Expenses for the 2009 fiscal period were \$70.7 million, an increase of 45.2% or \$22.0 million from the previous year. This difference was accounted for largely by an increase in facilitation trading losses experienced of \$28.7 million (to \$36.8 million) primarily related to three concentrated positions during a time of materially diminished market liquidity, given the turmoil in the financial markets, that resulted in an abnormal loss. Trading expenses declined \$1.4 million (33.1%) due to a change in carrying broker and lower associated costs, as well as lower exchange costs and trading error expenses. Compensation and benefits to non-Partners declined by \$3.9 million (23.2%) to \$12.9 million due to lower revenues and related incentive bonus payouts. General and administrative costs decreased \$2.2 million to \$9.9 million, attributable in part to a consulting payment in fiscal 2008 for an individual who became a Partner in fiscal 2009 and decreased expenses related to reduced business volumes. Occupancy expense increased 36.6% to \$2.9 million with the assumption of additional leased premises in Toronto. Data processing and communications expense increased \$0.7 million (23.4%) to \$3.7 million. Amortization of capital assets increased \$0.2 million and there was a very small foreign exchange gain compared to a \$0.8 million foreign exchange loss in the previous period.

Interest expense, a relatively small component of Genuity's overall expenses, was \$0.3 million in the 2009 fiscal period, an increase of \$26,950 from the previous year.

Income Taxes

GCM and GLP are not subject to income tax. The Partners are individually liable for their share of taxable income. As a result, no tax provision has been made in the financial statements relating to GCM and GLP.

Income tax expense related to the taxable entities included in Genuity decreased to a recovery of \$119,757 in the 2009 fiscal period from a recovery of \$19,116 in the previous year.

Net Income

Net income after taxation (but before distribution to Partners) was \$31.4 million in the 2009 fiscal period compared to \$179.9 million in the previous year. The decrease was primarily related to declining revenues resulting from deteriorating market conditions as well as the abnormal facilitation trading loss. Offsetting the decrease were declines in a number of expense line items, particularly non-Partner compensation, trading expenses and general and administrative expenses in the 2009 fiscal period as compared to the previous period.

Risks and Uncertainties

Genuity is subject to the normal business risks associated with firms operating in the investment banking industry in Canada. For a greater detailed explanation of these risks refer, to Note 3 of Genuity's audited financial statements at January 31, 2009.

Summary of Quarterly Results

(In thousands of dollars, except per unit amounts)

For the Quarters Ended

	<u>Jan. 31, 2009</u>	<u>Oct. 31, 2008</u>	<u>Jul. 31, 2008</u>	<u>Apr. 30, 2008</u>	<u>Jan. 31, 2009</u>	<u>Oct. 31, 2007</u>	<u>Jul. 31, 2007</u>	<u>Apr. 30, 2007</u>
	(\$ millions, except per unit amounts in dollars)							
Revenue	23.9	26.3	20.9	30.8	43.4	58.7	76.1	50.2
Net income	14.4	1.6	(2.3)	17.7	24.8	47.2	65.1	42.7
Net earnings per unit ⁽¹⁾	649	71	(106)	866	1,213	2,307	3,157	2,060

Notes

- (1) The earnings per unit measurement is not an effective measure of Genuity's earnings, as the interconnected relationship between distributions, salaries and other compensation varies from year to year, resulting in annual variations that are not reflective of financial performance.

Financial Condition

Liquidity and Capital Resources

During the fiscal 2009 period, Genuity used \$108.7 million of cash, compared to generation of \$119.7 million in the previous year, primarily owing to the timing of Partner distributions. Reasons for this increase in cash generation are as follows:

- Operating activities, before changes in non-cash working capital, generated \$32.5 million in the fiscal 2009 period, versus \$180.8 million the previous year. This was largely driven by decreased net income, a result of the decline in overall revenue due to market conditions and the facilitation trading losses in the 2009 fiscal period.
- Cash provided by operating activities, including changes in non-cash working capital, was \$23.8 million in the 2009 fiscal period, versus cash provided of \$184.0 million in the previous year. Change in non-cash working capital decreased to net use of cash of \$8.7 million in the 2009 fiscal period from a net generation of cash of \$3.1 million in the previous year. The primary impacts to change in non-cash working capital were an increase in cash generated from the decrease of securities owned of \$586.3 million, offset by an increase of cash used in reducing the payable to carrying broker of \$57.0 million and decreasing the accounts payable of \$548.5 million. There was also an increase in cash generated from securities sold short of \$8.3 million.
- Investing activities consumed \$2.4 million in the 2009 fiscal period versus \$0.5 million in the previous year as a result of an increased purchase of capital assets.
- Financing activities consumed \$130.0 million in the 2009 fiscal period compared to \$63.8 million in the previous period. This change is primarily due to an increase of \$69.9 million in Partners' draws from \$63.7 million in the 2008 fiscal period to \$133.6 million in the 2009 fiscal period. There was also an increase in proceeds from the issuance of partnership units of \$4.2 million.

Total Assets

Total assets at the end of the 2009 fiscal period were \$130.7 million as compared to \$540.9 million a year prior. The largest contributor to the decline was in securities owned, which was \$69.8 million at the end of the 2009 fiscal period, a decline of \$303.3 million from the end of the 2008 fiscal period. These changes are primarily

due to the timing impact of underwriting transactions that overlapped the respective period ends. There was also a decline of \$108.9 million in term deposits, as cash generated in the 2008 fiscal period was distributed to Partners in the 2009 fiscal period. This was partially offset by an increase in accounts receivable of \$1.3 million and capital assets of \$1.1 million.

Total Liabilities

Total liabilities at the end of the 2009 fiscal period were \$76.0 million as compared to \$387.8 million a year prior. The largest contributor to the decline was in accounts payable and accrued liabilities, which was \$57.7 million at the end of the 2009 fiscal period, a decline of \$285.4 million from the end of the 2008 fiscal period. Another significant decline was in the amount payable to carrying broker which fell \$28.9 million. These changes are primarily due to the timing impact of underwriting transactions that overlapped the respective period ends. This was partially offset by an increase in securities sold short of \$3.1 million (from \$nil in the 2008 fiscal period).

Hedging

Derivative financial instruments, consisting generally of foreign currency exchange contracts entered into to offset exposure related to client trading in U.S. dollars, are carried at estimated fair value. Realized and unrealized gains and losses related to the contracts are recognized in operations as they occur. No realized or unrealized gains or losses were recognized in either the 2009 fiscal period or the 2008 fiscal period.

Related Party Transactions

As at the end of the 2009 fiscal period, Genuity had total receivables of \$44,296 from Genuity Capital Management Services Inc., an affiliated entity (compared to \$364,482 in the prior period).

Genuity also had a payable to Genuity Financial Group (“GFG”) of \$476,371 at the end of the 2009 fiscal period, compared to \$476,352 at the end of the prior period.

Balances with affiliates are non-interest bearing and are due on demand. The fair value of these amounts cannot be determined with sufficient reliability.

Transactions with Genuity Capital Management Services Inc.

Certain expenses, including salaries and benefits, are initially paid by Genuity and recovered at cost from Genuity Capital Management Services Inc. These cost recoveries are recorded as a credit to expenses which appropriately reflects the nature of the transactions.

Transactions with GFG

During the 2009 fiscal period, Genuity issued and repaid \$19.4 million interest bearing subordinated loans to GFG, compared to \$4.9 million in the 2008 fiscal period. As at the end of the 2009 fiscal period, there were \$nil subordinated loans due to GFG, the same as at the end of the 2008 fiscal period. During the 2009 fiscal period, interest of \$0.3 million was incurred on these loans compared to \$0.1 million in the prior period.

Promissory notes

Promissory notes are issued to related persons or entities. All promissory notes are non-interest bearing and due on demand. Their fair value cannot be determined with sufficient reliability. The balance at the end of the 2009 fiscal period was \$4.2 million, compared to \$4.3 million at the end of the prior period.

Contingencies and Commitments

Genuity has been named as co-defendant in an action alleging improper solicitation of the plaintiffs’ employees, misuse of confidential information and misappropriation of corporate opportunities. The amount of the claim against all parties is \$10,000,000, a return of bonuses and an accounting of the profits Genuity made as

a result of these alleged activities. Management believes these claims can be wholly defended and no liability will be determined against Genuity.

From time to time, in connection with its operations, Genuity is named as a defendant in actions for damages and costs. On an on-going basis, management assesses the likelihood of any adverse judgments or outcomes in these matters, as well as ranges of probable losses and costs. A provision is recorded when a loss is likely and the amount is determinable.

Lease Commitments

Rents payable on leased premises and equipment are as follows:

2011	2,958,890
2012	2,438,958
2013	1,868,072
2014	269,767
Thereafter	<u>224,263</u>
	<u><u>7,759,950</u></u>

Genuity also pays a share of common costs and property taxes with respect to office leases. In connection with office leases, as at the end of the 2009 fiscal period Genuity’s banker had issued standby letters of credit for \$603,420 (compared to \$585,425; a year prior) to the landlords. Genuity has provided a security interest in term deposits to its banker to satisfy these letters of credit.

Indemnities

In the normal course of operations, Genuity provides indemnifications, which are typically standard contractual terms, to counterparties in transactions, such as service agreements and purchases of goods. Under these agreements, Genuity agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of Genuity in relation to the agreement. The nature of the indemnifications in these agreements prevents Genuity from making a reasonable estimate of the maximum potential amount that Genuity could be required to pay such counterparties pursuant to the indemnifications.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Investments in illiquid broker warrants are measured at fair value using a valuation model. There is inherent uncertainty and imprecision in estimating the factors that can affect value and in estimating values generally. The extent to which valuation estimates differ from actual results will affect the amount of revenue or loss recorded for a particular broker warrant in any given period.

Future income tax assets related to tax loss carry forwards are recorded when it is more likely than not that future taxable income will be available to absorb these losses. Actual results could differ from those estimates.

Changes in Accounting Policies

There were no changes in accounting policies during the fiscal period.

Recent Accounting Pronouncement

There were no accounting pronouncements impacting Genuity during the fiscal period.

COMBINED CAPITALIZATION

The following table sets forth the combined capitalization of Genuity as of the dates indicated and adjusted to give effect to a distribution to partners on or about March 26, 2010. The following table should be read in conjunction with the combined financial statements of Genuity for the years ended January 31, 2010 and 2009, together with the notes and the MD&A thereon.

(\$ millions)	As at January 31, 2010	
	Audited Actual	Unaudited Adjusted ⁽¹⁾
Partners' Equity		
Contributed Capital	20.7	20.7
Partners' Equity Transaction Costs	(0.1)	(0.1)
Current Capital	43.3	11.3
	63.9	31.9

(1) The adjusted figures as at January 31, 2010 give effect to the distribution to partners of approximately \$32.0 million in connection with performance for the 2010 fiscal year. Genuity has not yet made such distribution and anticipates that it will be made within one week of the date of the Circular.

EXECUTIVE OFFICERS

The following table provides the names of the current executive officers of GCM and GFG, their municipalities of residence, position, and principal occupations.

Name, Municipality of Residence	Position with Company	Principal Occupation for the Five Years Prior to the Date of this Circular
David J. Kassie Toronto, Ontario	Chief Executive Officer	Principal and Chief Executive Officer of GCM
Conrad Beyleveldt Toronto, Ontario	Chief Financial Officer	Principal and Chief Financial Officer of GCM since December 2005. Prior to December 2005, Chief Financial Officer of MRS Group of Companies
Thomas Briant Toronto, Ontario	Chief Compliance Officer	Principal and Chief Compliance Officer of GCM

Cease Trade Orders or Bankruptcies

David Kassie is Chairman and a director of SkyPower Corporation. On August 12, 2009, the Ontario Superior Court of Justice (Commercial List) made an order under the *Companies' Creditors Arrangement Act* in respect of SkyPower Corporation.

INDEBTEDNESS OF EXECUTIVE OFFICERS

No executive officer of Genuity is indebted to Genuity.

RISK FACTORS

This Information Circular contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this circular. See “Forward-Looking Statements”.

The following is a discussion of certain risk factors associated with Genuity’s business. The list of risk factors included below is not an exhaustive list, but focuses on those areas that are integral to Genuity’s business and may carry substantial risk, including market, liquidity, credit, operational, legal and regulatory risks. Please note that the following list is in addition to, and is not intended to limit in any way, the risk factors set out at “The Company After the Acquisition — Risk Factors”. Any variations in the description of the risk factors below and similar risk factors set out elsewhere in this Circular or incorporated by reference are not intended to be determinative.

General Risk Factors

Changes in Economic or Market Conditions

The securities business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets and in markets influenced by sustained periods of low or negative economic growth, including the risk of losses resulting from the underwriting or ownership of securities, trading, principal activities, counterparty failure to meet commitments, customer fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), the risk of failures in connection with the processing of securities transactions, the risk of litigation, the risk of reduced revenue in periods of reduced demand for public offerings, reduced activity in the secondary markets, and the risk of reduced spreads in the trading of securities.

Reductions in public offering, merger and acquisition, and securities trading activities due to any one or more changes in economic, political or market conditions could cause Genuity’s revenue from investment banking and sales and trading activities to decline materially. The amount and profitability of these activities are affected by many national and international factors, including economic, political and market conditions, the level and volatility of interest rates, legislative and regulatory changes, currency values, inflation, inflows and outflows of funds into and out of mutual funds, pension funds and hedge funds and the availability of short-term and long-term funding and capital. Genuity’s revenue may decrease in the event of a decline in market volume, prices or liquidity.

Declines in the volume of securities transactions and in market liquidity generally result in lower revenue from trading activities and lower commissions. Volatile and lower price levels of securities may also result in a reduced volume of underwriting transactions and could cause a reduction in revenue from corporate finance activities as well as losses from declines in the market value of securities held in trading and underwriting positions and also limit the ability to realize carried interest entitlements. Sudden sharp declines in market values of securities can result in illiquid markets and the failure of issuers and counterparties to perform their obligations as well as increases in claims and litigation. In such markets, Genuity may incur reduced revenue or losses in its principal trading and market-making activities.

Dependence on Ability to Retain and Recruit Personnel

Genuity’s business depends on the highly skilled, and often highly specialized, individuals it employs. Retention of such individuals is particularly important to Genuity’s prospects. Genuity’s strategy is to establish relationships with its prospective clients in advance of any transaction, and to maintain such relationships over the long term by providing investment banking, equity research sales and trading and full-service investment brokerage services. Such relationships depend in part on the individual employees who represent Genuity in its dealings with such clients. A significant portion of revenue is derived from the client relationships of the executive officers and principals of Genuity. From time to time, other companies in the securities industry have experienced losses of key personnel. There can be no assurance that losses of key personnel due to such competition or otherwise will not occur in the future. The loss of certain key investment banking, sales and

trading, research, or trading professionals or other key persons with a broad range of contacts in an industry, could materially and adversely affect Genuity's operating results.

Regulation

The securities business is subject to extensive regulation under securities laws in Canada, the United States and elsewhere. Compliance with many of the regulations applicable to Genuity involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators, IIROC and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, suspension or disqualification of officers or employees, or other adverse consequences. The imposition of any such penalties or orders on Genuity could have a material adverse effect on its operating results and financial condition.

The current environment of increased scrutiny may reasonably be expected to lead to increasingly stringent interpretation and enforcement of existing laws and rules. Genuity may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by securities regulatory authorities in Canada and the United States. Additional regulations, changes in existing laws and rules or changes in interpretations or enforcement of existing laws and rules often affect directly the method of operation and profitability of securities firms. Genuity cannot predict what effect any such changes might have. Furthermore, businesses may be materially affected not only by regulations applicable to Genuity as a financial market intermediary, but also by regulations of general application.

For example, the volume of Genuity's investment banking business in a given time period could be affected by, among other things, existing and proposed tax legislation, competition policy and other governmental regulations and policies, including the interest rate policies of the Bank of Canada or the Board of Governors of the United States Federal Reserve System and changes in interpretation or enforcement of existing laws and rules that affect the business and financial communities. The level of business and financing activity in each of the industries on which Genuity focuses can be affected not only by such legislation or regulations of general applicability, but also by industry-specific legislation or regulations. Genuity's ability to comply with all applicable laws and regulations is dependent on the creation, implementation and maintenance of effective compliance systems, policies and procedures and on its ability to hire and retain qualified compliance personnel.

Significant Competition

Genuity is engaged in the highly competitive securities brokerage and financial services businesses. Genuity competes directly with large Canadian and U.S. securities firms, securities subsidiaries of major chartered banks, major regional firms and smaller niche-oriented companies. Genuity's industry focus also subjects it to direct competition from a number of specialty securities firms and smaller investment banking firms that specialize in providing services to those industry sectors. Many other companies have greater number of personnel and financial resources as compared with Genuity. In addition, some competitors have a much longer history and, therefore, may have a relative advantage with regard to access to deal flow and capital. There can be no assurance that Genuity will be able to compete effectively, and this competition could have a material adverse effect on Genuity's operating results as well as Genuity's ability to attract and retain highly skilled individuals.

Litigation and Potential Securities Laws Liability

Many aspects of Genuity's business involve substantial risks of liability. An underwriter is exposed to substantial liability under securities laws, other laws and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. Genuity is also subject to the risk of litigation, including litigation that may be without merit. As Genuity intends to actively defend such litigation if it arose, significant legal expenses could be incurred. An adverse resolution of any future lawsuits against Genuity could materially affect its operating

results and financial condition. For details on certain outstanding litigation involving Genuity, see “*Legal Proceedings and Regulatory Actions*”.

Reputational Risk

Reputational risk is the potential that adverse publicity, whether true or not, will or may cause a decline in Genuity’s earnings, liquidity or client base due to its impact on the corporate image of Genuity. Reputational risk is inherent in virtually all of transactions engaged in by Genuity, even when the transaction is fully compliant with legal and regulatory requirements. Reputational risk cannot be managed in isolation, as it often arises as a result of operational, regulatory and other risks inherent in the businesses of Genuity. Moreover, Genuity is also susceptible to reputational risk and loss as a result of employee error and misconduct. Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely affect Genuity’s business, financial condition or profitability. Notwithstanding the measures Genuity takes to deter and prevent such activity, it is not always possible to prevent employee misconduct or prevent employee error. The precautions taken to detect and prevent such activity may not be effective in all circumstances, which could materially adversely affect Genuity’s business, financial condition or profitability.

Dependence Upon Availability of Capital

Genuity operates in regulated environments and its business is subject to minimum regulatory capital requirements. Underwriting commitments require a charge against capital and, accordingly, Genuity’s ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with applicable net capital regulations. Other capital markets activity also requires charges against capital for regulatory purposes, and Genuity monitors the level of regulatory capital required in each of its business activities on an ongoing basis to ensure minimum requirements are met.

Risk Management Policies and Procedures

Uncertainty and risk are inherent with any financial markets activity. As an active participant in the Canadian and international capital markets, Genuity is exposed to risks which could result in financial losses. Genuity’s principal risks relate to market risk, operational risk and regulatory and legal risk. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining Genuity’s financial stability and profitability.

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. Genuity is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. Genuity is also exposed to specific interest rate risk as a result of its principal trading in fixed income securities.

Operational risk refers to the risk of financial loss resulting from Genuity’s own operations including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in Genuity’s operating systems and inadequacies or breaches in Genuity’s control procedures and systems or technological failure.

There is no certainty that Genuity’s policies and procedures to mitigate its exposure to market and operational risk will be completely effective. These methods may not predict future risk exposures, which may be significantly greater than the historical measures indicate, and may not be adequate to prevent substantial financial loss. Unforeseen events and changes in the economy may lead to market disruptions and unexpected large or rapid changes in market prices and market conditions which may have a significant adverse effect on Genuity’s business and financial prospects and stability.

Other risk management methods depend on evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by Genuity. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory, credit, market and liquidity risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Risks Associated with the Securities Business Generally

Significant Fluctuations in Results

Genuity's revenue and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, the number of corporate finance and mergers and acquisitions transactions completed by its clients, the number of underwriting transactions completed, the level of institutional and retail brokerage transactions, variations in expenditures for personnel, litigation expenses and expenses of expanding new business units. Genuity's revenue from an underwriting transaction is recorded only when the underwritten security commences trading while revenue from a corporate finance transaction or an mergers and acquisitions transaction is generally recorded when the underlying transaction is completed under the terms of the engagement. Accordingly, the timing of recognition of revenue from a significant transaction can materially affect monthly, quarterly and annual operating results. Genuity's cost structure is oriented to meet the current level of demand for investment banking and sales and trading transactions. However, despite the variability of incentive-based compensation, Genuity could experience losses if demand for these transactions declines more quickly than its ability to change its cost structure. Due to the foregoing and other factors, there can be no assurance that Genuity will be able to sustain profitability on a monthly, quarterly or annual basis.

Risks of Underwriting Activities

Participation in underwritings involves both economic and regulatory risks. Underwriting activities can decline for a number of reasons. Underwriting activity may decline during periods of market uncertainty that arise from concerns about inflation, rising interest rates and related issues. Underwriting and sales and trading activity can also be materially adversely affected for an issuer or industry segment by disappointments in quarterly performance relative to analysts' expectations or by changes in long-term prospects.

An underwriter may incur losses if it is unable to resell the securities it is committed to purchase or if it is forced to liquidate its commitment at less than the agreed purchase price. In addition, the trend, for competitive and other reasons, toward larger commitments on the part of lead underwriters means that, from time to time, an underwriter (including a co-lead) may retain significant concentrated positions in individual securities. Increased competition for underwritings has eroded and is expected to continue to erode underwriting spreads.

Underwriting commitments require a charge against net regulatory capital, and, accordingly, Genuity's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with the applicable net capital regulations. Historically, Genuity has satisfied those needs from internally generated funds and loans from third parties. There can be no assurance that any, or sufficient, funding or regulatory capital will continue to be available to Genuity in the future on terms that are acceptable to Genuity.

See also "*General Risk Factors — Litigation and Potential Securities Laws Liability*".

Risks of Reduced Revenue Due to Focus on Relatively Few Industries

As a result of Genuity's dependence on revenue related to securities issued by issuers in specific industry sectors, any downturn in the market for the securities of issuers in these industries, or factors affecting such issuers, could adversely affect Genuity's operating results and financial condition. Securities offerings can vary significantly from industry to industry due to economic, legislative, regulatory and political factors. Underwriting activities in a particular industry can decline for a number of reasons. Underwriting and sales and trading activity can also be materially adversely affected for an issuer or industry segment by disappointments in quarterly performance relative to analysts' expectations, or by changes in long-term prospects for particular issuers, industries or industry segments.

Genuity's business is particularly dependent on the market for equity offerings by issuers in the following industry sectors: mining; oil and gas; financial services; industrials and special situations; technology and healthcare; telecommunications, cable and media; agriculture; real estate; and consumer products. The foregoing industries account for the majority of Genuity's investment banking and research activities, exposing Genuity to potential downturns in these industries. Genuity also derives a significant portion of its revenue from institutional brokerage transactions related to the securities of issuers in these sectors. In the past, revenue from

such institutional brokerage transactions has declined when underwriting activities in these industry sectors declined, the volume of trading on the TSX declined, or industry sectors or individual issuers reported results below investor expectations.

Credit Risk and Exposure to Losses

Genuity is exposed to the risk that third parties that owe it money, securities or other assets will not fulfill their obligations. These parties include trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

Although Genuity reviews its credit exposure to specific clients, counterparties, industries, countries and regions that Genuity believes may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. Genuity may also fail to receive full information with respect to the trading risks of counterparties.

Dependence on Systems

Genuity's business is highly dependent on communications and information systems. Any failure or interruption of its systems, or of the systems of third parties including service providers, clearing corporations and exchanges, could cause delays or other problems in Genuity's sales, trading, clearing, settlement and other client services, which could have a material adverse effect on its operating results and financial condition. While Genuity has business interruption and continuity plans in place, there can be no assurance that Genuity will be able to prevent any such systems failure or interruption, including those caused by an earthquake, fire, other natural disaster, power or telecommunications failure, act of God, act of war or terror or otherwise, or that its back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Potential Conflicts of Interest

Executive officers, principals, partners and employees of Genuity from time to time may invest in securities of private or public companies or investment funds, or be involved in the management or governance of any such private companies or investment funds, in which Genuity, or an affiliate of Genuity, is an investor or for which Genuity carries out investment banking assignments, publishes research or acts as a market maker. There are certain risks that, as a result of such investment, a principal, partner, officer or employee may take actions which would conflict with the best interests of Genuity.

In addition, certain of the principals of Genuity serve as directors of other companies involved in a wide range of industry sectors; consequently, there exists the possibility for such principals to be in a conflict of interest.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

GCM has been named as co-defendant in an action alleging improper solicitation of the plaintiffs' employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against GCM is for general damages to be determined by a court and an accounting of benefits received by all the parties as a result of these alleged activities. There is also a claim against all the parties for \$10 million for punitive and exemplary damages. Management believes these claims can be wholly defended and no liability will be determined against GCM. In February 2010, proceedings were commenced under the *Class Proceedings Act, 1992* (Ontario) in connection with allegedly false and/or misleading statements and omissions in a short form prospectus for the distribution of 31,580,000 common shares of Allen-Vanguard Corporation at \$9.50 per share (the "Share Prospectus") and a short form prospectus for the distribution of 14,650,000 common shares of Allen-Vanguard Corporation upon the exercise of previously issued special warrants at \$6.85 per share (the "Warrant Prospectus"). GCM was one of the underwriters of the offering made pursuant to the Share Prospectus and of the offering made pursuant to the Warrant Prospectus. The plaintiff in the action claims for, among other things, damages under the *Securities Act* (Ontario) of \$50,000,000 and punitive damages of \$5 million. The class has not yet been certified and the defences to the claims, third party claims and the quantification of damages are yet to be determined. GCM intends to vigorously defend itself against the claims.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the ordinary course, certain Partners have in the past held material shareholdings or acted as an officer or director of companies that have become Genuity clients. No such engagements are currently active.

AUDITORS

The auditors of Genuity are KPMG LLP, Licensed Public Accountants, of Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Genuity in the most recently completed financial year, or before the most recently completed financial year but that are still in effect, are as follows:

- (a) The GCM partnership agreement, as amended and restated on January 18, 2005 between GFG, 2053960 Ontario Corporation as Initial Partner, the Partners listed on Schedule A thereto and certain others who may hold partnership interests in GCM from time to time, as may be further amended and restated from time to time (the "**GCM Partnership Agreement**"), which contains customary representations and warranties that survive so long as the party making the representation or warranty remains a partner of GCM and other customary provisions relating to the securities of GCM, the governance of GCM and the powers and duties of the Partners Committee.
- (b) The GFG partnership agreement, as amended and restated on January 18, 2005 between 2053960 Ontario Corporation, 2053959 Ontario Limited, Kassie Capital Corporation, Evershed Capital Corporation, Daviau Capital Corporation, 1131417 Ontario Inc. and Scarsdale-Rovinescu Investments Inc. as initial Partners and certain others who may hold partnership interests in GFG from time to time, as may be further amended and restated from time to time (the "**GFG Partnership Agreement**") which contains customary representations and warranties that survive so long as the party making the representation or warranty remains a partner of GFG and other customary provisions relating to the securities of GFG, the governance of GFG and the powers and duties of the Operations Committee.
- (c) The Genuity Limited Partnership ("**Genuity LP**") limited partnership agreement dated November 9, 2004 between Genuity G.P. Inc. as general partner of Genuity LP, Genuity G.P. Inc. and Daviau Capital Corporation as initial limited partners and certain others who may hold partnership interests in Genuity LP from time to time, as may be amended and restated from time to time (the "**Genuity LP Agreement**") which contains customary representations and warranties that survive so long as the party

making the representation or warranty remains a partner of Genuity LP and other customary provisions relating to the securities of Genuity LP, the governance of Genuity LP and the powers and duties of the general partner and the limited partners.

- (d) The Securities Purchase Agreement referred to under the heading “The Acquisition”.
- (e) Fully Disclosed Clearing Agreement between Genuity Capital Markets USA Corp. and Penson Financial Services, Inc. dated June 1, 2009.
- (f) Uniform Type 2 Introducer/Carrier Broker Agreement between GCM and Penson Financial Services Canada, Inc. dated June 1, 2009.
- (g) Service level agreement between GCM and Frontline Technologies Corporation dated January 1, 2008.
- (h) Tradeware Global LLC Service and License Agreement.
- (i) KastenNet Services Agreement.
- (j) ITG Canada License Agreement.
- (k) Genuity USA Corp. FINRA Membership Agreement.

APPENDIX “E”
COMBINED FINANCIAL STATEMENTS OF
GENUITY CAPITAL MARKETS⁽¹⁾
Year ended January 31, 2010

(1) In this Appendix E, the term “Partners” refers to the corporations that are the partners of GCM and the individuals and corporations that are partners of GLP and does not refer to the principals of Genuity who are defined as “Partners” for the purposes of the Circular.



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AUDITORS' REPORT

To the Partners Committee of Genuity Capital Markets

We have audited the combined balance sheets of Genuity Capital Markets, Genuity Capital Markets USA Corp., Genuity Limited Partnership, Genuity G.P. Inc. and 2054386 Ontario Inc. (the "Combined Entity") as at January 31, 2010 and 2009 and the combined statements of operations, changes in partners' equity and cash flows for each of the years in the three-year period ended January 31, 2010. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Combined Entity as at January 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2010 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 5, 2010

GENUITY CAPITAL MARKETS
COMBINED BALANCE SHEET
January 31, 2010 and 2009

	2010	2009
Assets		
Current		
Cash	\$ 1,680,978	\$ 816,680
Term deposits	48,555,898	46,925,646
Securities owned (note 4)	33,177,392	69,775,480
Accounts receivable	11,673,152	7,264,415
Prepaid expenses	518,342	559,771
Due from affiliates (note 9(a))	407,476	44,296
Receivables from carrying brokers	303,670	261,403
Future income taxes (note 10)	190,075	119,973
Total current assets	96,506,983	125,767,664
Capital assets (note 5)	3,727,876	4,752,239
Artwork	108,395	108,395
Other intangibles (note 6)	—	47,329
	\$100,343,254	\$130,675,627
Liabilities & Partners' Equity		
Current liabilities		
Deferred rent	\$ 539,167	\$ 767,418
Securities sold short (note 4)	4,258,484	3,126,006
Payable to carrying broker	8,021,012	9,808,957
Accounts payable and accrued liabilities	19,410,357	57,666,199
Due to affiliate (note 9(a))	412,194	476,372
Promissory notes (note 9(f))	3,846,263	4,165,453
Subordinated loans (note 7(a))	—	31,047
	36,487,477	76,041,452
Partners' equity		
Contributed capital (note 8)	20,662,552	19,822,953
Partners' equity transaction costs	(102,197)	(102,197)
Current capital	43,295,422	34,913,419
	63,855,777	54,634,175
	\$100,343,254	\$130,675,627

GENUITY CAPITAL MARKETS
COMBINED STATEMENT OF OPERATIONS
Year ended January 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue			
Advisory services	\$ 38,557,455	\$ 43,221,438	\$128,240,100
Underwriting fees	34,972,222	25,435,810	52,272,144
Sales and trading revenue	30,318,231	32,380,406	44,334,333
Interest income	133,305	1,940,570	3,981,226
Other income, net (note 4)	7,990,326	(1,018,295)	(313,453)
	<u>111,971,539</u>	<u>101,959,929</u>	<u>228,514,350</u>
Expenses			
Trading expenses	2,312,563	2,879,534	4,302,318
Facilitation trading gains and losses, net	5,032,648	36,808,692	8,140,332
Employee compensation and benefits	13,113,606	12,896,584	16,785,602
Data processing and communications	3,978,068	3,668,896	2,974,114
Occupancy	2,716,563	2,854,542	2,090,296
General and administrative (note 9(d))	11,618,716	9,866,569	12,060,310
Interest expense and bank charges (note 9(c))	247,622	338,477	311,527
Amortization of capital assets	1,475,855	1,327,131	1,176,538
Amortization of other intangibles	47,329	47,329	47,329
Foreign exchange loss/(gain)	189,863	(37,045)	767,453
	<u>40,732,833</u>	<u>70,650,709</u>	<u>48,655,819</u>
Income before income taxes	\$ 71,238,706	\$ 31,309,220	\$179,858,531
Income tax expense/(recovery): (note 10)			
Current	\$ (10,046)	\$ (40,586)	\$ 5,912
Future	(70,102)	(79,171)	(25,028)
	<u>(80,148)</u>	<u>(119,757)</u>	<u>(19,116)</u>
Net Income after taxation	<u>\$ 71,318,854</u>	<u>\$ 31,428,977</u>	<u>\$179,877,647</u>

GENUITY CAPITAL MARKETS
COMBINED STATEMENT OF CHANGES IN PARTNERS' EQUITY
Year ended January 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Partners' current capital, beginning of year	\$ 34,913,419	\$ 137,074,799	\$ 20,864,056
Net income	71,318,854	31,428,977	179,877,647
Partners' draws	(62,936,851)	(133,590,357)	(63,666,904)
Partners' current capital, end of year	<u>43,295,422</u>	<u>34,913,419</u>	<u>137,074,799</u>
Partners' equity transaction costs	(102,197)	(102,197)	(102,197)
Contributed capital, beginning of year	19,822,953	16,127,894	16,115,330
Issuance of partnership units	2,699,468	5,338,182	1,094,698
Redemption and cancellation of units	(1,859,869)	(1,643,123)	(1,082,134)
Contributed capital, end of year	<u>20,662,552</u>	<u>19,822,953</u>	<u>16,127,894</u>
Partners' equity, end of year	<u>\$ 63,855,777</u>	<u>\$ 54,634,175</u>	<u>\$153,100,496</u>

GENUITY CAPITAL MARKETS
COMBINED STATEMENT OF CASH FLOWS
Year ended January 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows from (used in) operating activities:			
Net income	\$ 71,318,854	\$ 31,428,977	\$ 179,877,647
Items not involving cash:			
Amortization of capital assets	1,475,855	1,327,131	1,176,538
Amortization of other intangibles	47,329	47,329	47,329
Future income tax	(70,102)	(79,171)	(25,028)
Amortization of deferred rent	(228,251)	(228,250)	(228,250)
Change in non-cash operating items:			
Net decrease/(increase) in securities owned	36,598,088	303,280,145	(283,066,811)
Increase in accounts receivable	(4,408,737)	(1,344,717)	(718,633)
Decrease/(increase) in prepaid expenses	41,429	494,494	(241,068)
(Increase)/decrease in deposit with carrying broker	(42,267)	(6,378)	1,059,634
Increase/(decrease) in securities sold short	1,132,478	3,126,006	(5,189,679)
(Decrease)/increase in payable to carrying broker	(1,787,945)	(28,878,907)	28,155,661
(Decrease)/increase in accounts payable	(38,255,842)	(285,406,654)	263,118,712
	<u>65,820,889</u>	<u>23,760,005</u>	<u>183,966,051</u>
Cash flows from (used in) financing activities:			
Proceeds from issuance of partnership units	2,668,421	5,338,182	1,094,698
Redemption and cancellation of partnership units	(1,859,869)	(1,643,123)	(1,082,134)
Partners' equity transaction costs	—	—	(780)
Issue of subordinated loans, non-interest bearing	—	3,412,082	—
Repayment of subordinated loans, non-interest bearing	—	(3,667,785)	—
Issue of subordinated loans, interest bearing	13,500,000	30,400,000	25,900,000
Repayment of subordinated loans	(13,500,000)	(30,400,000)	(25,900,000)
(Increase)/decrease in due from affiliates	(363,180)	320,186	(289,209)
(Decrease)/increase in due to affiliates	(64,178)	20	82,672
Partners' draws	(62,936,851)	(133,590,357)	(63,666,904)
Repayment of promissory notes	(383,877)	(337,922)	(345,375)
Issuance of promissory notes	64,687	189,562	420,188
	<u>(62,874,847)</u>	<u>(129,979,155)</u>	<u>(63,786,844)</u>
Cash flows from (used in) investing activities:			
Purchase of capital assets	(451,492)	(2,403,017)	(468,608)
Purchase of artworks	—	(41,669)	(14,101)
	<u>(451,492)</u>	<u>(2,444,686)</u>	<u>(482,709)</u>
Increase/(decrease) in cash and cash equivalents	2,494,550	(108,663,836)	119,696,498
Cash and cash equivalents, beginning of year	47,742,326	156,406,162	36,709,664
Cash and cash equivalents, end of year	<u>\$ 50,236,876</u>	<u>\$ 47,742,326</u>	<u>\$ 156,406,162</u>
Cash and cash equivalents comprise:			
Cash	\$ 1,680,978	\$ 816,680	\$ 538,791
Term deposits	48,555,898	46,925,646	155,867,371
	<u>\$ 50,236,876</u>	<u>\$ 47,742,326</u>	<u>\$ 156,406,162</u>
Supplemental cash flow information:			
Interest paid	\$ 199,361	\$ 311,342	\$ 288,683
Taxes paid	\$ —	\$ 3,796	\$ 101,972

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS
January 31, 2010, with comparative figures for 2009 and 2008

Genuity Capital Markets (“Genuity”) was formed as a partnership on September 9, 2004 under the laws of the Province of Ontario. Genuity is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and is registered as a Type 2 Introducing Broker. Genuity is engaged in a single line of business as a securities broker-dealer, which comprises several classes of service, including principal transactions, investment banking and investment advisory. Genuity is subject to regulation by IIROC, Genuity’s designated self-regulatory organization. Under the member rules prescribed by IIROC, Genuity is required to maintain prescribed/minimum levels of risk-adjusted capital, which are dependent on the nature of Genuity’s assets and operations.

Genuity Capital Markets USA Corp. (“Genuity USA”) was incorporated on February 10, 2005 under the laws of the Province of Ontario, Canada. Genuity USA is a wholly owned subsidiary of Genuity. Genuity USA is a member of the Financial Industry Regulatory Authority (“FINRA”). Genuity USA is subject to regulation by FINRA and pursuant to United States Securities and Exchange Commission Rule 15c3-3 under subparagraph (k)(2)(ii), clears transactions on a fully disclosed basis through Penson Financial Services, Inc., a FINRA member.

Genuity Limited Partnership (“Partnership”) was formed on November 9, 2004 under the laws of the Province of Ontario, pursuant to the Limited Partnership Act (Ontario). The Partnership has been formed to provide administrative services to Genuity and its affiliates. The general partner is Genuity G.P. Inc. (the “General Partner”), a wholly owned subsidiary of Genuity Financial Group, a partner of Genuity.

2054386 Ontario Inc. (“Company”) was incorporated on September 15, 2004 under the laws of the Province of Ontario. The Company has executed office lease agreements in Canada, which are used by Genuity and its affiliates.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

These combined financial statements have been prepared for inclusion in the Information Circular of Canaccord Financial Inc. relating to the offer to purchase the Combined Entities referred to below. These combined financial statements combine entities which are subject to common control.

The combined financial statements are prepared as at January 31, 2010 and 2009 and for the years ended January 31, 2010, 2009 and 2008. Certain entities in the combined financial statements have non-coterminous year ends. Significant transactions occurring in the non-coterminous period have been included in the combined financial statements.

These combined financial statements include the following entities which are collectively referred to as the “Combined Entities” or “Genuity”:

- Genuity Capital Markets and its wholly owned subsidiary Genuity Capital Markets USA Corp. — balance sheets as at January 31, 2010 and 2009. Statements of operations, changes in partners’ equity and cash flows for each of the years ended January 31, 2010, 2009 and 2008.
- Genuity Limited Partnership — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in partners’ equity and cash flows for each of the years ended December 31, 2009, 2008 and 2007.
- 2054386 Ontario Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows each of the years ended December 31, 2009, 2008 and 2007.
- Genuity G.P. Inc. — balance sheets as at December 31, 2009 and 2008. Statements of operations, changes in retained earnings and cash flows for each of the years ended December 31, 2009, 2008 and 2007.

Significant related party transactions have been eliminated upon the combination of Genuity.

Genuity Capital Markets and Genuity Limited Partnership are partnerships. The combined financial statements include only the assets, liabilities, revenue and expenses of Genuity and the Partnership and do not include other assets, liabilities, revenue and expenses of the partners.

(b) Cash:

Cash comprises cash on deposit, term deposits maturing in 90 days or less on inception, and term deposits readily convertible to cash.

(c) Securities owned and securities sold short:

Securities owned and securities sold short are carried at fair values as at the close of business at the balance-sheet date. Fair value is based on quoted market prices for exchange-traded equities, futures and options and actively traded equities and fixed income securities traded in the over-the-counter markets. For non-quoted securities, fair value is determined using appropriate methods

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

which take into account the liquidity of the security, the size of the bid and ask spread, and the relative breadth of market, current yield adjustments and other factors. Realized and unrealized changes in fair value are recognized in income as they occur.

(d) Underwriting and advisory revenue:

Underwriting fees include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which Genuity acts as an underwriter or agent. Advisory services revenue includes fees earned from providing merger and acquisition, financial restructuring advisory services. Underwriting fees are recognized when the underwriting is completed and the income is reasonably determinable. Advisory services revenue is recognized as earned over the term of the contract or when the transaction closes, depending on the nature of the services provided. Recovery of expenses related to underwriting and advisory services are recorded when invoiced and included in Other income.

(e) Sales and trading revenue and facilitation gains and losses:

Sales and trading revenue, consisting of commission revenue from customer security transactions, are recorded on a trade-date basis. Related realized and unrealized facilitation trading gains and losses are recorded on a trade-date basis and recorded as Facilitation trading gains and losses, net.

(f) Other intangibles:

Other intangibles with a finite life are amortized over five years, and are tested for impairment when conditions exist or changes in circumstances indicate the carrying amount may be impaired.

(g) Translation of foreign currency transactions and foreign subsidiaries:

The functional currency of Genuity is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at year-end exchange rates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at average rates of exchange in effect during the year. Foreign exchange gains and losses are recorded in operations as they occur. Foreign exchange gains and losses arising on the translation of financial statements of Genuity USA, an integrated foreign operation, are included in net income.

(h) Derivative financial instruments:

Derivative financial instruments, consisting generally of foreign currency exchange contracts entered into to offset exposure related to client trading in U.S. dollars, are carried at estimated fair value. Realized and unrealized gains and losses related to the contracts are recognized in operations as they occur.

(i) Taxation:

Genuity and the Partnership are not subject to income tax. The partners are individually liable for their share of taxable income. As a result, no tax provision has been made in the financial statements relating to Genuity and the Partnership.

Other combined entities follow the asset and liability method of accounting for corporate income taxes. Under this method, future income tax assets and liabilities represent the differences between the carrying amounts of assets and liabilities and their value for tax purposes.

These future tax assets and liabilities are measured using enacted tax rates that apply to taxable income in the years in which differences are expected to be recovered or settled. Future income tax assets related to tax loss carry forwards are recorded when it is more likely than not that future taxable income will be available to absorb these losses. Changes in future income taxes related to changes in tax rates are recognized in income in the year in which the changes are enacted.

(j) Capital assets:

Capital assets are initially recorded at cost and amortized over their estimated useful lives on a declining-balance basis, except for leasehold improvements which are over the term of the lease. In the year of acquisition, the amortization rate is applied to 50% of the cost of the asset. Amortization rates are as follows:

Furniture and fixtures	20%
Computer equipment	40-45%
Data network infrastructure	30%
Computer software	12 Months
Leasehold improvements	Term of lease

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(k) Artworks:

Artworks consist of Canadian works of art that are carried at cost. Artworks are written down where there is an other than temporary impairment in value below original cost.

(l) Deferred rent:

Leasehold inducements received from landlords are deferred and amortized against occupancy costs over the term of the related lease.

(m) Recent accounting pronouncement:

In June 2009, the CICA issued amendments to section 3862 Financial Instruments — Disclosure standard to expand disclosures of financial instruments consistent with new disclosure requirements made under International Financial Reporting Standards. These amendments introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of instruments. The fair values for the three levels are based on:

- Level 1 — quoted prices in active markets
- Level 2 — models using observable inputs other than quoted market prices
- Level 3 — models using inputs that are not based on observable market data

(n) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. INTRODUCER/CARRIER BROKER AGREEMENT:

In accordance with an Introducer/Carrier Broker Agreement (the “Agreement”) with Penson Financial Services Canada Inc. (the “carrying broker”), Genuity introduces clients to the carrying broker, to be dealt with and carried on the books of the carrying broker, in accordance with IIROC rules. Accordingly, Genuity does not carry customer accounts nor does it receive, deliver or hold cash or securities in connection with such customers.

The carrying broker performs certain securities trading, clearing and settling and record-keeping services as agent for and on behalf of Genuity. The carrying broker performs its services for a flat fee per trade, subject to certain additional charges. Interest relating to client accounts is also allocated according to the Agreement. Genuity is responsible for any losses or bad debts incurred by the carrying broker.

Under the terms of the Agreement, Genuity has lodged a deposit of \$250,000 (2009 — \$250,000) plus accumulated interest of \$150 (2009 -\$11,403) in the form of cash and cash equivalents with the carrying broker and recorded in Receivables from carrying brokers.

3. FINANCIAL INSTRUMENTS:

In the normal course of securities trading, Genuity is exposed to market risk, credit risk and foreign exchange risk. It is management’s opinion that Genuity is not exposed to significant interest rate risk.

(a) Sales and trading:

i) Market risk:

Market risk is the risk that the fair value of a security will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security or factors affecting all securities traded in the market.

As securities held for trading are valued at fair value, changes in market value affect earnings as they occur. Genuity mitigates its market risk exposure through managing securities concentration levels and capital usage within its inventory trading accounts.

Securities owned and securities sold short include publicly tradable securities on recognized exchanges as well as broker warrants.

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

3. FINANCIAL INSTRUMENTS: (Continued)

ii) Credit risk:

Credit risk is the risk that counterparties to transactions will not fulfill their obligations.

Genuity manages its counterparty credit risk by dealing with counterparties of high credit quality and by managing individual counterparty exposure. Genuity's most significant counterparty concentrations are with financial institutions and institutional clients in Canada and United States.

iii) Foreign exchange risk:

In the normal course of securities trading, Genuity is exposed to the possibility that losses can result from changes in the price of foreign currencies. Foreign exchange forward contracts are traded periodically to manage and hedge foreign exchange risk on pending securities settlements denominated in foreign currencies. Realized and unrealized gains and losses related to these forward contracts are recognized in operations as they occur.

Forward contracts outstanding at January 31, 2010:

	Notional amounts USD	Average price CAD	Maturities	Fair values CAD
To sell U.S. dollars	\$ 14,886	\$1.0665	February 01 2010	\$ —
To buy U.S. dollars	\$8,855,189	\$1.0661	February 03 2010	\$25,978

Forward contracts outstanding at January 31, 2009:

	Notional amounts USD	Average price CAD	Maturities	Fair values CAD
To sell U.S. dollars	\$8,721,785	\$1.2281	February 03 2009 to February 12 2009	\$(19,635)
To buy U.S. dollars	\$6,706,380	\$1.2249	February 02 2009 to February 04 2009	\$ 91,545

(b) Underwriting:

Underwriting consists of arranging, managing and participating in public offerings, private placements and rights offerings principally in equity securities of public companies or companies going public through an initial public offering. Genuity participates in these transactions both as an underwriter where securities are purchased from the corporate issuer and re-sold to investors and as an agent where Genuity acts as an agent on behalf of the corporate issuer to sell the securities to investors. When acting as principal in an underwriting transaction, Genuity is exposed to market risk and credit risk, which is managed by assessing, and monitoring the dollar amount of underwriting commitments and individual counterparty risk.

(c) Fair value hierarchy

Genuity values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, Genuity uses observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The following tables outlines the fair value hierarchy of instruments carried at fair value.

	2010			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Term Deposits	\$48,555,898	\$ —	\$ —	\$48,555,898
Securities owned	\$31,315,636	\$1,861,757	\$ —	\$33,177,393
Securities sold short	\$ 4,258,484	\$ —	\$ —	\$ 4,258,484

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

3. FINANCIAL INSTRUMENTS: (Continued)

	2009			Total
	Fair value hierarchy			
	Level 1	Level 2	Level 3	
Term Deposits	\$46,925,647	\$ —	\$ —	\$46,925,647
Securities owned	\$69,428,754	\$346,726	\$ —	\$69,775,480
Securities sold short	\$ 3,126,006	\$ —	\$ —	\$ 3,126,006

(d) Fair values of financial instruments:

The fair values of financial instruments other than balances with affiliates (note 9 (a)), promissory notes (note 9(f)) and subordinated loans (note 7) approximate their carrying amounts due to the imminent or short-term maturity of these financial instruments. Included in Term deposits is a bare deposit note with an original maturity of 34 days (2009 — 27 days to 33 days). The estimated yield to maturity on these instruments is 0.27% (2009 — 0.96%).

4. SECURITIES OWNED AND SECURITIES SOLD SHORT:

	2010		2009	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Underwriting commitments	\$10,782,000	\$ —	\$52,754,000	\$ —
Equities (note 9(e))	20,533,636	4,258,484	16,674,754	3,126,006
Broker warrants	1,861,757	—	346,726	—
	<u>\$33,177,393</u>	<u>\$4,258,484</u>	<u>\$69,775,480</u>	<u>\$3,126,006</u>

During the year, Genuity recorded \$1,691,691 (2009 — (\$2,608,129); 2008 — (\$2,937,293)) of realized and unrealized gains/(losses) on Broker warrants included in Other income.

5. CAPITAL ASSETS:

	Cost	Accumulated amortization	2010	2009
			Net book value	Net book value
Furniture and fixtures	\$1,976,371	\$1,083,283	\$ 893,088	\$1,030,654
Computer equipment	1,957,590	1,476,098	481,492	524,416
Data network infrastructure	1,106,798	765,607	341,191	501,922
Computer software	337,930	296,692	41,238	88,936
Leasehold improvements	4,503,040	2,532,174	1,970,866	2,606,311
	<u>\$9,881,729</u>	<u>\$6,153,854</u>	<u>\$3,727,875</u>	<u>\$4,752,239</u>

Computer software forms an integral part of computer equipment and data network infrastructure.

6. OTHER INTANGIBLES:

	2010	2009
IIROC Membership:		
Balance, beginning of year	\$ 47,329	\$ 94,658
Amortized during the year	(47,329)	(47,329)
Balance, end of year	<u>\$ —</u>	<u>\$ 47,329</u>

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

7. SUBORDINATED LOANS:

Subordinated loans have been subordinated to the claims of the general creditors of Genuity and have been issued pursuant to the standard uniform subordinated agreements in the form required by IIROC. The subordinated borrowings are available in computing risk-adjusted capital. To the extent that such borrowings are required for Genuity's continued compliance with risk-adjusted capital requirements, they may not be repaid without the prior approval of IIROC.

(a) Non-interest bearing:

	2010	2009
Balance, beginning of year	\$ 31,047	\$ 286,750
Issued during the year	—	3,412,082
Repaid during the year	—	(3,667,785)
Converted to voting partnership units	(31,047)	—
	—	\$ 31,047

(b) Interest bearing:

	2010	2009
Balance, beginning of year	\$ —	\$ —
Issued during the year	13,500,000	30,400,000
Repaid during the year	(13,500,000)	(30,400,000)
	\$ —	\$ —

Of the total interest bearing subordinated loans, \$nil (2009 — \$19,400,000) were issued to Genuity Financial Group and were fully repaid during the year (note 9(c)). Of the total interest bearing subordinated loans, \$13,500,000 (2009 — \$11,000,000) were issued to certain Partners and were fully repaid during the year. During the year, interest of \$168,493 (2009 — \$305,753; 2008 — \$242,836) was incurred on these loans. The interest rate on interest bearing subordinated loans was 15% (2009 — 15%; 2008 — 15%).

8. CONTRIBUTED CAPITAL:

Authorized:

- Unlimited voting partnership units
- Unlimited non-voting partnership units
- Unlimited non-voting specialized partnership units

Non-voting specialized partnership units are issued to Partners of Genuity Financial Group who are engaged in the business of Genuity but do not own partnership units of Genuity directly, solely for the purpose of permitting these Partners to participate in the Partners draws. The redemption price per partnership unit is determined in accordance with the terms of Genuity Partnership Agreement. As at January 31, 2010, Genuity Financial Group owns 9,317 (2009 — 10,000; 2008 — 10,000) voting partnership units of Genuity.

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

8. CONTRIBUTED CAPITAL: (Continued)

Issued:

	Voting partnership		Non-voting partnership		Non-voting specialized partnership		Total
	Number of units	Amount	Number of units	Amount	Number of units	Amount	
Balance, January 31, 2007	20,726	\$16,115,331	—	\$—	4	4\$	\$16,115,335
Issued to individual partners	1,130	1,094,688					1,094,688
Units redeemed and cancelled	(1,396)	(1,082,129)					(1,082,129)
Balance, January 31, 2008	20,460	16,127,890	—	—	4	4	16,127,894
Issued to individual partners	3,245	5,338,157					5,338,157
Units redeemed and cancelled	(1,740)	(1,643,112)					(1,643,112)
Balance, January 31, 2009	21,965	19,822,949	—	—	4	4	19,822,953
Issued to individual partners	2,204	2,668,405					2,668,405
Units redeemed and cancelled	(1,755)	(1,859,853)					(1,859,853)
Conversion of subordinated loan (note 7(a)) .	25	31,047					31,047
Balance, January 31, 2010	<u>22,439</u>	<u>\$20,662,548</u>	<u>—</u>	<u>\$—</u>	<u>4</u>	<u>4\$</u>	<u>\$20,662,552</u>

9. RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Due to/from affiliates:

Genuity has the following balances with affiliates:

	2010	2009
Due from:		
Genuity Capital Management Services Inc.	\$ 40,472	\$ 44,296
Genuity Fund Partnership	200,000	—
Genuity Fund Management Inc.	163,684	—
Genuity Financial Group II Limited Partnership	3,320	—
	<u>\$407,476</u>	<u>\$ 44,296</u>
Due to:		
Genuity Financial Group	<u>\$412,194</u>	<u>\$476,371</u>

Genuity Capital Management Services Inc., Genuity Fund Partnership, Genuity Fund Management Inc. and Genuity Financial Group II Limited Partnership are associated entities of Genuity.

Balances with affiliates are non-interest bearing and are due on demand. The fair value of these amounts cannot be determined with sufficient reliability.

(b) Transactions with Genuity Capital Management Services Inc.:

Certain expenses, including salaries and benefits, are initially paid by Genuity and recovered at cost from Genuity Capital Management Services Inc. These cost recoveries are recorded as a credit to expenses which appropriately reflects the nature of the transactions.

(c) Transactions with Genuity Financial Group:

During the year, Genuity issued and repaid \$nil (2009 — \$19,400,000) interest bearing subordinated loans to Genuity Financial Group (note 7(b)). As at January 31, 2010, there were \$nil (2009 — \$nil) subordinated loans due to Genuity Financial Group. During the year, interest of \$nil (2009 — \$260,137; 2008 — \$102,699) was incurred on these loans.

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

9. RELATED PARTY TRANSACTIONS AND BALANCES: (Continued)

(d) Transactions with Genuity Fund Management Inc.:

During the year, Genuity paid \$1,000,000 (2009 — \$nil; 2008 — \$nil) to Genuity Fund Management Inc., for portfolio management services.

(e) Transactions with Genuity Fund Corp:

During the year, Genuity purchased \$5,000,000 (2009 — \$nil) redeemable, non-voting, participating shares of Genuity Fund Corp., a mutual fund corporation managed by Genuity Fund Management Inc. As at January 31, 2010, these shares are recorded at fair value of \$5,108,263 (2009 — \$nil) and included in Securities owned (note 4).

(f) Promissory notes:

Promissory notes are issued to related persons or entities. All promissory notes are non-interest bearing and due on demand. Their fair value cannot be determined with sufficient reliability.

	2010	2009
Balance, beginning of year	\$4,165,453	\$4,313,813
Issued during the year	64,688	189,562
Repaid during the year	(383,878)	(337,922)
Balance, end of year	\$3,846,263	\$4,165,453

10. INCOME TAXES:

The current portion of the income tax expense/(recovery) included in the combined statement of operations is as follows:

	2010	2009	2008
U.S. federal	\$ 26,815	\$(59,782)	\$ (52,792)
U.S. state	8,668	(12,934)	(4,165)
Canada federal	(45,529)	32,130	62,869
	\$ (10,046)	\$(40,586)	\$ 5,912

The tax effects of temporary differences that give rise to the future income tax assets are presented below:

	2010	2009
Future income tax assets:		
Start-up expenses	\$ 33,202	\$ 56,068
Temporary non-deductible expenses	11,172	53,887
Tax loss carryforward (expiry January 31, 2029)	61,153	—
Tax loss carryforward (expiry January 31, 2030)	81,228	—
Capital assets	3,320	10,018
Future income tax assets	\$190,075	\$119,973

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

10. INCOME TAXES: (Continued)

Income tax expense/(recovery) differs from the amount that would be computed by applying the combined federal and provincial/state income tax rates as a result of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income taxes at the statutory rate	\$ 27,070,708	\$ 11,897,503	\$ 68,346,242
Less: partnership income not subject to income tax	(27,082,123)	(11,877,970)	(68,389,777)
Less: difference in tax rates in foreign jurisdictions	601	(1,028)	2,291
Add: non-deductible items	8,530	7,540	6,550
Less: non-taxable foreign exchange translation	—	(145,802)	—
Other adjustments	(77,864)	—	15,578
Income tax expense/(recovery) — current and future	<u>\$ (80,148)</u>	<u>\$ (119,757)</u>	<u>\$ (19,116)</u>

11. CAPITAL MANAGEMENT:

Genuity requires capital for operating and regularly purposes, including funding current and future operations. Genuity is subject to regulation by IIROC. Under the regulations prescribed by IIROC, Genuity is required to maintain prescribed minimum levels of risk adjusted capital that are dependent on the nature of the Genuity's assets and operations. Margin requirements in respect of inventory positions, underwriting deal requirements and/or working capital requirements cause risk-adjusted capital to fluctuate on a daily basis. Compliance with these requirements require Genuity to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business.

Genuity monitors its capital position on a daily basis to ensure that the risk-adjusted capital is maintained at an amount at least equal to the minimum required by IIROC. As at January 31, 2010, Genuity was in compliance with the minimum regulatory capital requirements.

Genuity USA is subject to regulation by FINRA and pursuant to United States Securities and Exchange Commission Rule 15c3-3 is required to maintain prescribed minimum net capital. Genuity USA has met FINRA's capital requirement throughout the year.

12. CONTINGENT LIABILITY:

Genuity has been named as co-defendant in an action alleging improper solicitation of the plaintiffs' employees, misuse of confidential information and misappropriation of corporate opportunities. The amount of the claim against all parties is \$10,000,000, a return of bonuses and an accounting of the profits Genuity made as a result of these alleged activities. Management believes these claims can be wholly defended and no liability will be determined against Genuity.

From time to time, in connection with its operations, Genuity is named as a defendant in actions for damages and costs. On an on-going basis, management assesses the likelihood of any adverse judgments or outcomes in these matters, as well as ranges of probable losses and costs. A provision is recorded when a loss is likely and the amount is determinable.

13. COMMITMENTS AND GUARANTEES:

Rents payable on leased premises and equipment are as follows:

2011	\$2,958,890
2012	2,438,958
2013	1,868,072
2014	269,767
Thereafter	<u>224,263</u>
	<u>\$7,759,950</u>

Genuity also pays a share of common costs and property taxes with respect of office leases. In connection with office leases, Genuity's banker has issued standby letters of credit for \$535,463 (2009 — \$603,420) to the landlords. Genuity has provided a security interest in term deposits to its banker to satisfy these letters of credit.

In the normal course of operations, Genuity provides indemnifications, which are often standard contractual terms, to counterparties in transactions such as service agreements and purchases of goods. Under these agreements, Genuity agrees to indemnify the counterparty

GENUITY CAPITAL MARKETS
NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
January 31, 2010, with comparative figures for 2009 and 2008

13. COMMITMENTS AND GUARANTEES: (Continued)

against loss or liability arising from the acts or omissions of Genuity in relation to the agreement. The nature of the indemnifications in these agreements prevents Genuity from making a reasonable estimate of the maximum potential amount that Genuity could be required to pay such counterparties.

14. SUBSEQUENT EVENT:

Subsequent to January 31, 2010, Genuity signed a definitive agreement dated March 3, 2010, to be acquired by Canaccord Financial Inc.

APPENDIX “F”
PRO FORMA FINANCIAL STATEMENTS OF THE COMPANY

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
(In thousands of dollars)
Canaccord as of December 31, 2009 and Genuity as of October 31, 2009
(Unaudited)

	<u>Canaccord</u>	<u>Genuity</u>	<u>Acquisition</u>	<u>Pro forma consolidated</u>
	Note 1	Note 1	Note 2	
ASSETS				
Current				
Cash and cash equivalents	\$ 782,576	\$ 78,643	\$(63,000) (a)(b)	\$ 798,219
Securities owned	404,537	40,426	—	444,963
Accounts receivable	1,311,144	6,545	—	1,317,689
Future income taxes	11,890	128	—	12,018
Total current assets	<u>2,510,147</u>	<u>125,742</u>	<u>(63,000)</u>	<u>2,572,889</u>
Investment	5,000	—	—	5,000
Investment in asset-backed commercial paper	28,239	—	—	28,239
Equipment and leasehold improvements	40,471	3,958	(1,958) (b)	42,471
Intangible assets	—	—	90,600 (b)	90,600
Goodwill	—	—	224,594 (b)	224,594
	<u>\$2,583,857</u>	<u>\$129,700</u>	<u>\$250,236</u>	<u>\$2,963,793</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Bank indebtedness	\$ 44,600	\$ —	\$ —	\$ 44,600
Securities sold short	324,877	4,588	—	329,465
Accounts payable and accrued liabilities	1,794,123	51,348	—	1,845,471
Income taxes payable	4,590	—	—	4,590
Subordinated debt	15,000	13,500	—	28,500
Total current liabilities	<u>2,183,190</u>	<u>69,436</u>	<u>—</u>	<u>2,252,626</u>
Future income taxes	—	—	24,000 (b)	24,000
	<u>2,183,190</u>	<u>69,436</u>	<u>24,000</u>	<u>2,276,626</u>
Shareholders' equity				
Common shares	188,610	—	291,500 (b)	480,110
Contributed surplus	49,279	—	—	49,279
Retained earnings	189,026	—	(5,000) (a)	184,026
Accumulated other comprehensive losses	(26,248)	—	—	(26,248)
Total shareholders' equity	<u>400,667</u>	<u>—</u>	<u>286,500</u>	<u>687,167</u>
Partners' equity				
Contributed capital	—	20,632	(20,632) (b)	—
Partners' equity transaction costs	—	(102)	102 (b)	—
Current capital	—	39,734	(39,734) (b)	—
Total partners' equity	<u>—</u>	<u>60,264</u>	<u>(60,264)</u>	<u>—</u>
	<u>\$2,583,857</u>	<u>\$129,700</u>	<u>\$250,236</u>	<u>\$2,963,793</u>

See accompanying notes to unaudited pro forma consolidated financial statements.

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of dollars, except per share amounts)
Twelve-month period ended March 31, 2009 (Genuity January 31, 2009)
(Unaudited)

	<u>Canaccord</u>	<u>Genuity</u>	<u>Reclassifications</u>	<u>Acquisition and accounting policy adjustments</u>	<u>Pro forma consolidated</u>
	Note 1	Note 1	Note 2 (f)	Note 2	
Revenue					
Commission	\$ 233,104	\$ 32,380	\$(7,745)	\$ —	\$ 257,739
Investment banking	169,369	68,657	(2,797)	—	235,229
Principal trading	18,319	—	(26,267)	—	(7,948)
Interest	38,287	1,941	—	—	40,228
Other	18,642	(1,018)	(1,929)	—	15,695
	<u>477,721</u>	<u>101,960</u>	<u>(38,738)</u>	<u>—</u>	<u>540,943</u>
Expenses					
Incentive compensation	222,006	12,897	(1,600)	14,294 (c)	247,597
Salaries and benefits	56,771	—	1,600	—	58,371
Trading costs	26,311	2,880	—	—	29,191
Net facilitation losses	—	36,809	(36,809)	—	—
Premises and equipment	24,695	2,854	—	—	27,549
Communication and technology	25,228	3,669	656	(1,327) (c)	28,226
Interest	11,220	338	—	—	11,558
General and administrative	69,689	9,867	(2,622)	(1,394) (c)	75,540
Amortization	8,994	1,374	—	10,500 (d)	20,868
Foreign exchange gain	—	(37)	37	—	—
Development costs	28,773	—	—	—	28,773
ABCP fair value adjustment	6,700	—	—	—	6,700
Canaccord relief program	5,347	—	—	—	5,347
Impairment of goodwill and intangibles	31,524	—	—	—	31,524
Restructuring costs	7,662	—	—	5,000 (a)	12,662
	<u>524,920</u>	<u>70,651</u>	<u>(38,738)</u>	<u>27,073</u>	<u>583,906</u>
Income (loss) before income taxes	(47,199)	31,309	—	(27,073)	(42,963)
Income taxes (recovery)	452	(120)	—	1,835 (e)	2,167
Net income (loss)	\$ (47,651)	\$ 31,429	\$ —	\$(28,908)	\$ (45,130)
Earnings (loss) per share:					
Basic	\$ (0.97)				\$ (0.60)
Fully diluted	\$ (0.97)				\$ (0.60)
Weighted average shares outstanding:					
Basic	48,929,259				75,429,259
Fully diluted	54,189,484				80,689,484

See accompanying notes to unaudited pro forma consolidated financial statements.

CANACCORD FINANCIAL INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of dollars, except per share amounts)
Nine-month period ended December 31, 2009 (Genuity October 31, 2009)
(Unaudited)

	<u>Canaccord</u>	<u>Genuity</u>	<u>Reclassifications</u>	<u>Acquisition and accounting policy adjustments</u>	<u>Pro forma consolidated</u>
	Note 1	Note 1	Note 2 (f)	Note 2	
Revenue					
Commission	\$ 172,780	\$23,712	\$(2,691)	\$ —	\$ 193,801
Investment banking	191,923	51,944	448	—	244,315
Principal trading	38,704	—	1,703	—	40,407
Interest	9,696	105	—	—	9,801
Other	21,301	3,999	(4,106)	—	21,194
	<u>434,404</u>	<u>79,760</u>	<u>(4,646)</u>	<u>—</u>	<u>509,518</u>
Expenses					
Incentive compensation	226,301	8,080	(1,300)	26,743 (c)	259,824
Salaries and benefits	42,730	—	1,300	—	44,030
Trading costs	21,466	1,560	—	—	23,026
Net facilitation losses	—	2,691	(2,691)	—	—
Premises and equipment	18,214	2,058	—	—	20,272
Communication and technology	16,572	3,042	397	(1,047) (c)	18,964
Interest	1,968	287	—	—	2,255
General and administrative	37,195	7,116	(2,238)	(879) (c)	41,194
Amortization	5,731	1,252	—	3,700 (d)	10,683
Foreign exchange loss	—	114	(114)	—	—
Development costs	18,061	—	—	—	18,061
	<u>388,238</u>	<u>26,200</u>	<u>(4,646)</u>	<u>28,517</u>	<u>438,309</u>
Income before income taxes	46,166	53,560	—	(28,517)	71,209
Income taxes	15,195	3	—	6,871 (e)	22,069
Net income	\$ 30,971	\$53,557	\$ —	\$(35,388)	\$ 49,140
Earnings per share:					
Basic	\$ 0.64				\$ 0.66
Fully diluted	\$ 0.56				\$ 0.60
Weighted average shares outstanding:					
Basic	48,376,433				74,876,433
Fully diluted	55,576,702				82,076,702

See accompanying notes to unaudited pro forma consolidated financial statements.

CANACCORD FINANCIAL INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars)

Nine-month period ended December 31, 2009 and year ended March 31, 2009

(Unaudited)

1. BASIS OF PRESENTATION:

The unaudited pro forma consolidated financial statements (which are referred to in the document as pro forma financial statements) give effect to the acquisition of Genuity (as hereinafter defined) by Canaccord Financial Inc. (“Canaccord” or “the Company”) as if it had occurred (i) as at December 31, 2009 for purposes of the pro forma consolidated balance sheet and (ii) as at April 1, 2008 for purposes of the pro forma consolidated statements of operations for the nine month period ended December 31, 2009 and for the year ended March 31, 2009. The pro forma financial statements have been prepared by management of Canaccord for illustrative purposes only to show the effect of the acquisition of Genuity which is more fully described in Note 2.

Effective April 1, 2010 Canaccord intends to adopt CICA Handbook Section 1582 “*Business Combinations*” which replaces the former Section 1581 “*Business Combinations*”. Accordingly, these pro forma financial statements have been prepared in accordance with that standard which harmonizes Canadian guidance to the International Financial Reporting Standards (IFRS) 3 “*Business Combinations*”.

The unaudited pro forma consolidated balance sheet as at December 31, 2009 and the unaudited pro forma consolidated statements of operations for the nine months ended December 31, 2009 and for the year ended March 31, 2009 have been prepared using the following information:

- (a) Audited consolidated financial statements of the Company for the year ended March 31, 2009, which are incorporated by reference in this management information circular.
- (b) Unaudited consolidated financial statements of the Company for the nine month period ended December 31, 2009, which are incorporated by reference in this management information circular.
- (c) Audited combined financial statements of Genuity for the year ended January 31, 2009 which are included elsewhere in this management information circular.
- (d) Unaudited combined financial statements of Genuity for the nine month period ended October 31, 2009.
- (e) Such other supplementary information as was considered necessary to reflect the proposed transaction in the pro forma financial statements.

The combined balance sheet of Genuity as at October 31, 2009 and the combined statements of operations of Genuity for the year ended January 31, 2009 and for the nine months ended October 31, 2009 have been prepared by combining Genuity Capital Markets, a partnership, and its subsidiary, Genuity Capital Markets USA Corp., a corporation, each with a year end of January 31 with Genuity Limited Partnership, a limited partnership, Genuity G.P. Inc., a corporation, and 2054386 Ontario Inc., a corporation, each with a year end of December 31. These combined entities are collectively referred to as “Genuity”.

The pro forma adjustments reflecting the acquisition of Genuity under the purchase method of accounting are based on certain estimates and assumptions. The actual adjustments upon completion of the transaction and the allocation of the purchase price for Genuity will depend on a number of factors, including additional financial information available at such time, changes in market value of the Company’s common shares and changes in Genuity’s operating results and financial position between the date of the preparation of these pro forma financial statements and the completion of the transaction. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible that the differences will be material. Canaccord’s management believes that the estimates and assumptions used herein provide a reasonable basis for presenting all of the significant effects of the transaction and that the pro forma adjustments give appropriate effect to those adjustments and are properly applied in the pro forma financial statements.

These unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of Canaccord which would have actually resulted had the transaction been effected on the dates indicated. Any potential synergies that may be realized upon consummation of the transaction have not been reflected in the unaudited pro forma consolidated financial information. Further, the unaudited pro forma consolidated financial information is not necessarily indicative of the results of operations that may be obtained in the future.

These unaudited pro forma consolidated financial statements should be read in conjunction with the audited March 31, 2009 and unaudited December 31, 2009 consolidated financial statements of Canaccord, which are incorporated by reference in this management information circular, and the audited combined financial statements of Genuity for the year ended January 31, 2009 which are included elsewhere in this management information circular.

2. THE TRANSACTION AND PRO FORMA ADJUSTMENTS:

On March 3, 2010 Canaccord entered into a securities purchase agreement for the acquisition of Genuity (the “Transaction”).

CANACCORD FINANCIAL INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of dollars)

Nine-month period ended December 31, 2009 and year ended March 31, 2009

(Unaudited)

2. THE TRANSACTION AND PRO FORMA ADJUSTMENTS: (Continued)

For the purposes of these unaudited pro forma financial statements, the financial position and the results of operations of Canaccord and Genuity have been combined to give effect to the Transaction, as follows:

- Issuance of 26.5 million common shares of Canaccord at a market value of \$11.00 per share;
- Payment of \$30 million on closing; and
- Payment of \$28 million within 60 days after closing.

The Transaction will be accounted for using the purchase method of accounting. Purchase accounting requires that the assets and liabilities purchased be recorded at their fair value as at the date of acquisition.

Canaccord is currently undergoing a process whereby the fair value of all identifiable assets and liabilities acquired as well as any goodwill and future income taxes arising upon the acquisition will be determined. Canaccord has engaged an independent third party valuator to assist with this process. Canaccord has not yet completed the determination of the fair value of all the identifiable assets and liabilities acquired or the complete impact of applying purchase accounting to the consolidated statement of operations. The fair values allocated to the asset and liability categories and amounts recorded once the valuation process is complete are likely to differ from those recorded and presented in the unaudited pro forma consolidated financial statements and the difference may be material. On completion of the valuations, an adjustment to the carrying amounts of any finite life intangible assets on acquisition would impact the amount of intangible asset amortization recorded in the pro forma consolidated statements of operations for the periods presented and for the periods after the date of acquisition.

The purchase price has been allocated on the basis of management's preliminary estimates of fair values as follows:

Aggregate consideration	
26.5 million Canaccord shares issued	\$291,500
cash paid	<u>58,000</u>
	<u>\$349,500</u>
 Net assets acquired	
net tangible assets	\$ 58,306
intangible assets	90,600
future income tax liability	(24,000)
goodwill	<u>224,594</u>
	<u>\$349,500</u>

The unaudited pro forma consolidated balance sheet as of December 31, 2009 reflects the following adjustments as if the Transaction had occurred on December 31, 2009:

- (a) To reflect estimated acquisition-related costs of approximately \$5 million. These costs relate to legal, accounting, advisory, administrative and other acquisition expenses.
- (b) To reflect the purchase of Genuity at a purchase price of \$349.5 million as detailed above.

The unaudited pro forma consolidated statements of operations for the year ended March 31, 2009 and for the nine month period ended December 31, 2009 reflect the following adjustments as if the Transaction had occurred on April 1, 2008:

- (c) To reflect incentive-based compensation as if it had been recorded in conformity with Canaccord's incentive compensation programs. Since Genuity has operated as a partnership, there is no meaningful historical measure of the compensation and benefits that would have been paid, in corporate form, to the partners for services rendered during the year ended January 31, 2009 and the nine months ended October 31, 2009. The adjusted amounts reflect management's estimate of the incentive compensation expense that Genuity would have otherwise recorded if Genuity had recorded its incentive compensation in a manner consistent with the manner in which Canaccord records such compensation expense, including the allocation of certain communication and technology and general and administrative expenses to accrued amounts that would otherwise be payable to employees as incentive compensation.

CANACCORD FINANCIAL INC.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands of dollars)

**Nine-month period ended December 31, 2009 and year ended March 31, 2009
(Unaudited)**

2. THE TRANSACTION AND PRO FORMA ADJUSTMENTS: (Continued)

- (d) To reflect the amortization of intangible assets with finite lives acquired in connection with the Transaction.
- (e) To reflect a pro forma tax provision that would have applied if Genuity had operated in a corporate form at an assumed statutory rate of 32.3% for the year ended March 31, 2009 and 31.9% for the nine month period ended October 31, 2009. As a partnership, the Genuity partners were allocated income and paid their pro rata share of income taxes. In a corporate form, the Company must record a provision for income taxes.
- (f) Certain items in the Genuity combined financial statements have been reclassified to be consistent with the classifications in Canaccord's consolidated financial statements.

In addition to the acquisition-related costs described in (a) above, the Company expects to incur costs in respect of severance, contract termination and lease costs as a result of, or in association with, the Transaction. These costs, estimated to be approximately \$10 million, have been excluded from the pro forma financial statements and will be expensed as incurred.

3. PRO FORMA EARNINGS PER SHARE:

The weighted average number of common shares for all pro forma earnings per share calculations reflects the issuance of 26.5 million common shares as described in note 2.

